

**FIRST DAWOOD INVESTMENT  
BANK LIMITED**

**Half Yearly Report  
31 December 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

## CONTENTS

Corporate Information	2
Directors' Report	3
Auditors' Report to the Members on Review of Interim Financial Information	4
Condensed Interim Balance Sheet (Unaudited)	6
Condensed Interim Profit & Loss Account (Unaudited)	7
Condensed Interim Statement of Comprehensive Income (Unaudited)	8
Condensed Interim Statement of Changes in Equity (Unaudited)	9
Condensed Interim Cash Flow Statement (Unaudited)	10
Notes to the Financial Statement (Unaudited)	12

## CORPORATE INFORMATION

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

\*Application for the prior approval of Directors is pending with SECP. Till approval is granted the newly elected directors cannot assume charge hence, the previous directors will continue to hold office.

## DIRECTORS' REPORT

IN THE NAME OF ALLAH THE MOST COMPASSIONATE, THE MOST MERCIFUL

Dear Shareholders,

The Board of Directors of **First Dawood Investment Bank Limited** ("FDIBL" or the "Company") is pleased to present the reviewed interim financial statements of the Company for the period ended December 31, 2013.

The NBFC Sector is still in the process of revival and awaits implementation of new reforms which were expected to be introduced in December 2013. The company is hopeful that a new business model will give a new life to the NBFC sector and will help it stand on its two feet, as presently majority of the players are facing turmoil, primarily due to unprecedented conditions of 2008-09 (including of the closure of stock market, introduction of MUFAP pricing etc).

In view of lack of opportunities; FDIBL has positioned itself to take advantage of investment opportunities available in the equity markets. The core philosophy of investment remains intact in terms of taking appropriate exposures in good sectors and companies which offers relatively higher yielding investments that are likely to exhibit short term growth and enhanced risk adjusted returns.

Your company during the first half for financial year 2013-14, has reported after-tax loss of Rs.36.86 million as compared to profit of Rs.32.89 million during corresponding period last year. The latter was predominately due to 'booking of deferred tax'. Your Company is facing severe financial / liquidity crises for the past few years, but so far it is managing the affairs through internal cash generation via recoveries and restructuring of liabilities. Despite high inflationary trend, the management has kept a tight cost control and has managed to curtail the administrative expenses from Rs.40 Million to Rs.37 Million for the period under review in comparison to the corresponding period last year.

The emphasis continues to remain on settlement / restructuring of remaining portion of liabilities and in this regard; request for settlement and waiver of mark-up have been put-up before the lenders, which are under consideration. It is pertinent to mention that a couple of lenders have already accepted the request and that has reduced our debt burden / financial cost. Other emphasis of the management is on recovery of non-performing portfolio. After concerted efforts; the major portion has either been restructured or strict legal action has been undertaken against the defaulters. Some of these defaulters are known corporate names and the sponsors enjoy good standing in the corporate arena and social circles. In a view to abreast our shareholders, it is being informed that the company has also taken strict action (legal and otherwise) against some of the ex-staff, who were involved in mal-practices in one form or the other.

It is further expected that our Special Assets and Legal Department; working in coordination with each other will reduce non-performing loans as they are aggressively pursuing for negotiations and settlements. The management is hopeful that this drive against defaulters will ensure decent recoveries from defaulters and ex-staff.

The Board of Directors acknowledges and appreciates the efforts and contribution of all staff and the management during these difficult times and expects that all the stakeholders will continue to support us.

February 28, 2014  
Karachi.

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

**Rafique Dawood**  
Chairman

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL  
INFORMATION TO THE MEMBERS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013**

**Deloitte.**

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

UAN: +92 (0) 21 111-55-2626  
Fax: +92 (0) 21- 3454 1314  
Web: www.deloitte.com

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **First Dawood Investment Bank Limited** ("the Company") as at December 31, 2013, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and selected notes forming part thereof for the six months period ended December 31, 2013 (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2012 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2013.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for Qualified Conclusion**

- a) As at December 31, 2013, the Company has recognized deferred tax asset of Rs 198.89 million in respect of unabsorbed tax depreciation on leases, carry forward of unused tax losses and deductible temporary differences. As stated in note 10 to the condensed interim financial information, the management has carried out 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. However, we were not provided adequate supporting documentation/bases for the assumptions used in preparation of those projections and consequently, we were unable to determine whether any adjustment in the amount of deferred tax asset was necessary;
- b) The operations of one of the associated undertaking were closed due to the reason stated in note 8.2 to the condensed interim financial information; consequently, assessment for impairment of investment in that associate should have been made by the management. However, in the absence of such exercise, we were unable to determine whether any adjustment in the carrying value of investment in the associate was necessary.
- c) The Company has taken Forced Sale Value (FSV) benefit of Rs 32.67 million based on valuation of collateralized asset carried out by an independent valuer in February 2010. According to the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), FSV benefit on valuation of collateralized assets could be taken upto three years after which fresh valuation is required. Thus, in our view FSV benefit of Rs.32.67 million on a three years old valuation should not have been taken.

The Company also has Rs 60.63 million receivable against terminated lease facility which is classified as loss as per the NBFC Regulations. As at December 31, 2013, 50% provision of the outstanding lease amount is held which amounted to Rs 30.32 million. According to the requirements of the NBFC regulation, 100% provision is required on the loss parties.

Had FSV benefit of Rs. 32.67 million not been taken and remaining 50% provision of Rs. 30.32 million on the said lease facility been recorded in the condensed interim financial information, other receivable and net investment in finance lease would have been reduced by Rs. 32.67 million and Rs 30.32 million respectively and loss for the period would have been increased by Rs. 62.99 million and shareholders' equity would have been reduced by the same amount;

- d) The management has not accrued mark up amounting to Rs 31.83 million on a long term loan as communication with lender for restructuring of the loan is in process. In our opinion, since the restructuring terms are yet to be finalized, mark-up should have been accrued. Had the mark up been recorded in the condensed interim financial information, accrued mark-up and loss for the period would have been increased by Rs 31.83 million, and shareholders' equity would have been reduced by the same amount.

#### Qualified Conclusion

Based on our review, with the exception of the matters described in paragraphs (a) to (d), nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months period ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

#### Emphasis of matter

We draw attention to the following:

- i) note 1.3 to the condensed interim financial information which describes that that the Company is facing financial problems, its accumulated losses as at December 31, 2013 are in the tune of Rs 1,495.20 million, and as of that date, the Company's current liabilities exceed its current assets by Rs. 301.17 million, its licenses to carry out business are not renewed and is not being able to meet minimum equity requirements. These conditions alongwith other matters as stated in note 1.3 and unfunded exposures as described in note 21 may cast significant doubt about the Company's ability to continue as a going concern;
- ii) as stated in note 21 to the condensed interim financial information, guarantees issued by the Company amounting to Rs. 1,708 million have been called by the beneficiaries including guarantees of Rs. 1,098 million which are under litigations. The ultimate outcome in this regard cannot presently be ascertained; and
- iii) as stated in notes 8.4 and 21.3 to the condensed interim financial information, the Company is not in compliance with certain requirements of NBFC Regulations.

Our conclusion is not qualified in respect of these matters.

#### Other matters

The condensed interim financial information of the Company for the six months period ended December 31, 2012 and financial statements of the Company for the year ended June 30, 2013 have been reviewed / audited by another firm of Chartered Accountants whose reports dated February 27, 2013 and October 02, 2013 expressed a modified conclusion and modified opinion thereon. The modified conclusion was related to deferred tax asset, non-compliance of NBFC Regulations due to Company's holding in excess of prescribed threshold in one of the group companies, loss of jumbo certificates and shares not in the name of the Company and had emphasis of matter paragraphs on the use of going concern assumption and guarantees under litigations. The modified opinion on financial statements for the year ended June 30, 2013 was related to deferred tax asset, and non-compliance of NBFC Regulations regarding Company's holding in excess of prescribed threshold in one of the group companies and had emphasis of matter paragraphs on the use of going concern assumption and guarantees under litigations.

#### Chartered Accountants

**Engagement Partner**  
Mushtaq Ali Hirani

**Dated: February 28, 2014**  
**Karachi.**

Member of  
**Deloitte Touche Tohmatsu**

## CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT DECEMBER 31, 2013

	<i>Note</i>	<i>Unaudited December 31, 2013 Rupees</i>	<i>Audited June 30, 2013 Rupees</i>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	6	6,902,187	4,795,768
Investment properties		70,855,000	70,855,000
Net investment in lease finance	7	461,969	92,369,542
Long-term investments	8	199,557,506	195,984,535
Long-term finances	9	3,094,394	23,288,578
Long-term loan		-	132,531
Long-term deposits		3,704,000	3,704,000
Deferred tax asset	10	198,893,526	198,893,526
		483,468,582	590,023,480
<b>CURRENT ASSETS</b>			
Current portion of non-current assets	11	323,063,469	228,624,516
Short-term investments	12	59,323,585	55,233,953
Placements and finances	13	61,705,434	67,286,078
Assets acquired in satisfaction of claims	14	29,603,000	29,603,000
Advance against lease commitments	15	-	-
Loans , advances and prepayments		7,847,184	5,497,073
Mark-up accrued		2,133,941	3,880,870
Other receivables	16	89,220,776	96,595,100
Cash and bank balances		44,724,240	67,003,068
		617,621,629	553,723,658
		1,101,090,211	1,143,747,138
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Ordinary shares		626,492,900	626,492,900
Preference shares		715,833,540	715,833,540
		1,342,326,440	1,342,326,440
Capital reserves		333,744,789	333,744,789
Accumulated loss		(1,495,201,374)	(1,443,910,048)
		180,869,855	232,161,181
Share of unrealised loss on remeasurement of associates' investments		(1,017,826)	(6,855,881)
Unrealised gain on remeasurement of available-for-sale investments		2,431,068	1,849,578
		182,283,097	227,154,878
<b>NON CURRENT LIABILITIES</b>			
Long-term loans	17	-	65,500,000
Long term deposits		18,905	16,006,780
		18,905	81,506,780
<b>CURRENT LIABILITIES</b>			
Current portion of long-term liabilities	18	563,809,790	501,181,641
Mark-up accrued		66,047,751	59,779,713
Short term borrowings		81,418,223	81,418,223
Deferred income		-	1,376,765
Certificates of investment	19	88,500,000	88,500,000
Accrued and other liabilities	20	117,932,091	101,748,784
Taxation		1,080,354	1,080,354
		918,788,209	835,085,480
<b>CONTINGENCIES AND COMMITMENTS</b>			
	21		
		1,101,090,211	1,143,747,138

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.

This condensed interim financial information has been signed by two Directors due to reasons stated in note 1.10 to this condensed interim financial information.

DIRECTOR

DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2013**

	<i>Six months ended</i>		<i>Quarter ended</i>		
	<i>December 31</i>		<i>December 31</i>		
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	
<i>Note</i>	<i>&lt;-----Rupees-----&gt;</i>				
<b>INCOME</b>					
Lease income	1,329,495	2,801,934	135,312	2,796,542	
Return on deposits and investments	6,202,146	9,132,847	3,580,171	6,529,166	
Gain / (loss) on sale of securities	1,035,782	313,676	530,249	(1,102,818)	
Income from long-term finances	368,571	249,446	258,925	99,819	
Other income / (loss)	1,904,343	11,846,655	(1,235,536)	10,177,129	
	<u>10,840,337</u>	<u>24,344,558</u>	<u>3,269,121</u>	<u>18,499,838</u>	
<b>PROVISION / CHANGES IN FAIR VALUE</b>					
Reversal of provision for lease losses and doubtful recoveries - net	22	1,153,177	7,871,923	343,177	7,767,243
(Deficit) / surplus on remeasurement of held for trading securities		(902,406)	(778,700)	1,556,870	(343,266)
Loss on settlement of liabilities		(64,926)	(8,500,000)	(64,926)	(8,500,000)
		<u>185,845</u>	<u>(1,406,777)</u>	<u>1,835,121</u>	<u>(1,076,023)</u>
		<u>11,026,182</u>	<u>22,937,781</u>	<u>5,104,242</u>	<u>17,423,815</u>
<b>EXPENDITURES</b>					
Administrative expenses		(37,243,051)	(40,097,966)	(20,791,710)	(20,559,910)
Finance cost		(7,065,460)	(8,101,666)	(4,482,133)	(3,976,633)
		<u>(44,308,511)</u>	<u>(48,199,632)</u>	<u>(25,273,843)</u>	<u>(24,536,543)</u>
Share of loss from associates		(3,367,517)	(4,210,357)	(3,367,517)	(4,210,357)
<b>LOSS BEFORE TAXATION</b>		<u>(36,649,846)</u>	<u>(29,472,208)</u>	<u>(23,537,118)</u>	<u>(11,323,085)</u>
<b>TAXATION</b>					
Current	23	(972,830)	(516,264)	(972,830)	(516,264)
Prior year		765,692	728,731	765,692	728,731
Deferred		-	69,146,861	-	-
		<u>(207,138)</u>	<u>69,359,328</u>	<u>(207,138)</u>	<u>212,467</u>
<b>LOSS / PROFIT AFTER TAXATION</b>		<u>(36,856,984)</u>	<u>39,887,120</u>	<u>(23,744,256)</u>	<u>(11,110,618)</u>
Earnings per share - basic		<u>(0.82)</u>	<u>0.41</u>	<u>(0.61)</u>	<u>(0.40)</u>
Earnings per share - diluted		<u>(0.26)</u>	<u>0.30</u>	<u>(0.16)</u>	<u>(0.08)</u>

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.

This condensed interim financial information has been signed by two Directors due to reasons stated in note 1.10 to this condensed interim financial information.

**DIRECTOR**

**DIRECTOR**



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE SIX MONTHS AND QUARTERS ENDED DECEMBER 31, 2013**

	<i>Six months ended</i>		<i>Quarter ended</i>	
	<i>December 31</i>	<i>December 31</i>	<i>December 31</i>	<i>December 31</i>
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>&lt;----- Rupees -----&gt;</i>			
(Loss) / profit after taxation	(36,856,984)	39,887,120	(23,744,256)	(11,110,618)
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Share of associates on reversal of unrealised loss on remeasurement of investments	5,838,055	160,639	5,838,055	160,639
Unrealised gain on remeasurement of investments classified as available-for-sale	581,490	-	581,490	-
	6,419,545	160,639	6,419,545	160,639
Total comprehensive income for the period	<u>(30,437,439)</u>	<u>40,047,759</u>	<u>(17,324,711)</u>	<u>(10,949,979)</u>

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.

This condensed interim financial information has been signed by two Directors due to reasons stated in note 1.10 to this condensed interim financial information.

**DIRECTOR**

**DIRECTOR**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2013**

	Share Capital		Capital Reserves				Accumulated Loss	Total
	Ordinary shares	Preference shares	Statutory reserve	Premium on issue of Right shares	Capital reserve on acquisition	Company's share of unrealised loss on remeasurement of associates' investments		
Balance at July 01, 2012	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(11,192,722)	1,204,853	200,897,377
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	39,887,119
- Profit for the period	-	-	-	-	-	-	-	39,887,119
<b>Other comprehensive income</b>	-	-	-	-	-	160,639	-	160,639
- Share of associates on reversal of unrealised loss on remeasurement of investments	-	-	-	-	-	160,639	-	40,047,758
Dividend on preference shares @ 4%	-	-	-	-	-	-	-	-
Balance at December 31, 2012	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(11,032,083)	1,204,853	(14,434,342)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	10,022,158
- Profit for the period	-	-	-	-	-	-	-	10,022,158
<b>Other comprehensive income</b>	-	-	-	-	-	4,176,202	644,725	4,176,202
- Share of associates on reversal of unrealised loss on remeasurement of investments	-	-	-	-	-	4,176,202	644,725	644,725
- Unrealised gain on remeasurement of available for sale investments	-	-	-	-	-	-	644,725	14,843,085
Dividend on preference shares @ 4%	-	-	-	-	-	-	-	-
Balance at June 30, 2013	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(6,855,881)	1,849,578	(14,199,000)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	36,856,984
- Loss for the period	-	-	-	-	-	-	-	36,856,984
- Share of associates on reversal of unrealised loss on remeasurement of investments	-	-	-	-	-	5,838,055	-	5,838,055
- Unrealised gain on remeasurement of available for sale investments	-	-	-	-	-	-	581,490	581,490
Dividend on preference shares @ 4%	-	-	-	-	-	-	-	-
Balance at December 31, 2013	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(1,017,826)	2,431,068	(1,495,201,374)

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.

This condensed interim financial information has been signed by two Directors due to reasons stated in note 1.10 to this condensed interim financial information.

DIRECTOR

DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2013**

	<i>Six months ended</i>	
	<i>December 31</i>	
	<i>2013</i>	<i>2012</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(36,649,846)	(29,472,208)
Adjustments for:		
Depreciation	1,211,019	1,450,009
Gain on sale of securities	(1,035,782)	(313,676)
Share of loss on investment in associates	3,367,517	4,210,357
Loss on settlement of liabilities	64,926	-
Finance cost	7,065,460	8,101,666
Gain on sale of property and equipment	(4,917)	-
Provision against lease losses and doubtful recoveries	(1,153,177)	(7,871,923)
Unrelaid loss on remeasurement of held for trading securities	902,406	778,700
Other income	(1,899,426)	(670,848)
	8,518,026	5,684,285
	(28,131,820)	(23,787,923)
 <i>Changes in operating assets and liabilities</i>		
<i>(Increase) / decrease in operating assets</i>		
Net investment in lease finance	14,296,922	16,451,448
Long-term finances	8,116,903	1,834,395
Long-term loans	199,455	85,064
Placements and finances	8,080,644	-
Advance against lease commitments	-	(1,531,100)
Advances and prepayments	(1,520,094)	4,943,625
Mark up accrued	1,746,929	(1,657,364)
Other receivables	2,300,051	8,108,589
Deferred income	(1,376,765)	-
	31,844,045	28,234,657
	3,712,225	4,446,734
 <i>Increase / (decrease) in operating liabilities</i>		
Certificates of investment	-	(18,750,000)
Long term deposits	(1,685,849)	(500,000)
Accrued and other liabilities	1,748,965	11,177,983
	63,116	(8,072,017)
Financial cost paid	(797,422)	(223,049)
Tax paid	(627,817)	(927,626)
Net cash generated from / (used in) operating activities	2,350,102	(4,775,958)
 <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,365,070)	(440,575)
Proceeds from disposal of property and equipment	52,549	1,672,033
Short-term investments made - net	(4,142,532)	(37,571,195)
Net cash used in investing activities	(7,455,053)	(36,339,737)

	<i>Six months ended</i>	
	<i>December 31</i>	
	<i>2013</i>	<i>2012</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term loans	<u>(17,173,877)</u>	<u>(22,451,102)</u>
Net cash used in financing activities	<u>(17,173,877)</u>	<u>(22,451,102)</u>
Net decrease in cash and cash equivalents	(22,278,828)	(63,566,797)
Cash and cash equivalents at beginning of the period	67,003,068	139,860,361
Cash and cash equivalents at end of the period	<u>44,724,240</u>	<u>76,293,564</u>

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.

This condensed interim financial information has been signed by two Directors due to reasons stated in note 1.10 to this condensed interim financial information.

**DIRECTOR**

**DIRECTOR**

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

**1. STATUS AND NATURE OF BUSINESS**

- 1.1** First Dawood Investment Bank Limited ("the Company") was incorporated on June 22, 1994 as a public limited company in Pakistan under the Companies Ordinance, 1984 and is listed on the Karachi and Islamabad 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 have been expired and awaiting renewal.
- 1.2** The Company had applied for renewal of certificate of registration as a Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 which was denied vide order dated November 22, 2013 against which an appeal has been filed before appellate bench of SECP on December 17, 2013. The Company is acting as trustees to Term Finance Certificates / Sukuk issued by Allied Bank of Pakistan, Escorts Investment Bank Limited, Engro Fertilizers Limited, Saudi Pak Leasing Company Limited, New Allied Electronics Industries (Pvt.) Limited, Security Leasing Company Limited, Dewan Cement Limited, House Building Finance Company Limited, Bunny's Limited, Pak Hy-Oils Limited, and Flying Board and Paper Products Limited. The value of assets under trustee as at December 31, 2013 amounted to Rs. 16.39 billion (June 30, 2013: Rs. 23.93 billion).
- 1.3** The Company incurred a loss of Rs. 36.86 million during the period ended December 31, 2013, its accumulated losses reached to Rs. 1,495.20 million as at December 31, 2013 and its current liabilities exceed current assets by Rs 301.17 million. The Company started facing financial difficulties from financial year 2008-09 as a result of unwarranted liquidity crunch in the financial sector mainly due to imposition of floor on KSE and erosion of values in the stock market by approximately 60% which resulted in withdrawal of money market lines of NBFC sector. The clean money market lines of the Company of over Rs. 5 billion from the banking sector were abruptly withdrawn and hence Company was unable to meet its commitments due to liquidity crunch. Since, the Company was unable to repay as per schedule of payment, certain banks and financial institutions filed cases and / or served legal notices against the Company. These resulted in down grading of credit rating, non compliance of requirements of NBFC Regulations regarding minimum capital. Further, leasing license has not been renewed and permission to issue certificates of investment and deposit was revoked by the Securities and Exchange Commission of Pakistan (SECP). Presently, the equity of the Company is Rs. 182.28 million which is below the Minimum Equity Requirement (MER) of Rs 1,700 million as prescribed by the SECP.

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

**1.4 Mitigation plan**

- a. The Company issued cumulative, convertible preference shares of Rs. 715.83 million on June 09, 2010 against settlement of some liabilities / loans. These preference shares carry preference dividend @ 4% on cumulative basis and are redeemable at par after five years. The Company expects that the preference shares along with the cumulative dividend will be converted into ordinary shares of the Company.
- b. The Company has been meeting its financial obligations through recoveries and settlements and has been able to settle around Rs.10 billion worth of its liabilities and other commitments through its assets in last 5 to 6 years. It further plans to continue with the settlement of its remaining outstanding liabilities.
- c. The Company has been able to restructure a portion of its liabilities at zero percent mark up and arrangement of further such restructuring is in the pipeline.
- d. The Company is meeting all of its expenses for the last few years without any external financial support or a bail-out package.
- e. The Company is aggressively following-up with its non-performing portfolio for recovery of principal, mark-up and repossession of collaterals assets. In this respect, the management has realigned its strategy accordingly.
- f. During the six months ended December 31, 2013, the Company made recoveries amounting Rs. 30.15 million. Further recoveries of Rs 63 million are expected in next six months upto June 30, 2014 in view of the negotiations, out of court settlements and compromises.
- g. The Company further expects recovery of approximately Rs. 183 million in financial year ending June 30, 2015 and Rs.119 million in the next three financial years.

**1.5 Expected NBF sector reforms / regime**

The requirement of minimum equity will be addressed through reversal of provisions by recovering outstanding advances and through injection of equity by issuing right shares in the ensuing years. Further, draft NBF sector reforms / regime has been issued by the 'SECP' upon approval of which, the sector and the Company would have a clearer road-map. The management is confident that as soon as the draft rules are formally approved, equity would be arranged through (i) issuance of right shares and/or (ii) induction of foreign or local partner and/or (iii) evaluation of option of merger or acquisition, and/or (iv) any other arrangement which will ensure compliance of minimum equity.

**1.6 Future prospects**

A sizeable recovery of non-performing lease and advances portfolio will provide a good cash flow cushion within next two to 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. 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.

**1.7 Liabilities under litigation**

As at December 31, 2013, only two cases are pending in the court of law where the financial institutions have obtained decrees aggregating to Rs. 81.4 million. The Company has filed appeals in the Supreme Court of Pakistan in these cases which are pending adjudication. In one of the case, a counterclaim of Rs 21.12 million has also been made by the Company in the Supreme Court of Pakistan. Subsequent to the period ended December 31, 2013, State Life Insurance Corporation also filed a case for recovery against the Company in SHC which is pending for hearing (refer note 19).

**1.8 Unfunded exposure**

Total amount of letters of comfort / guarantees as at December 31, 2013 amounting to Rs. 2,238 million out of which Rs. 530 million pertains to expired / unreturned guarantee documents. These also include guarantees amounting to Rs. 1,708 million called by the beneficiaries out of which guarantees worth Rs. 1,098 million are under litigations. The legal counsel of the Company is confident that no funded claim will arise out of these guarantees due to non-completion of formalities prior to its issuance and some basic flaws in guarantee documentation and not meeting terms of the guarantees by the beneficiaries.

**1.9 Credit rating**

The Company has not sought fresh credit rating from credit rating agencies. PACRA downgraded Company's rating to "D" in December 2009 i.e. during the prevailing unprecedented conditions in NBF1 sector of the Country. The management will seek fresh credit rating once the licenses are renewed and normal business functioning of the Company is commenced.

- 1.10** An application for prior approval of directors is pending with the SECP. Till the approval of SECP is received, directors elected in Annual General Meeting held on October 25, 2013 cannot assume charge of their office. Hence, the previous directors shall continue to hold office except Rasheed Y. Chinoy who left the charge of the Chief Executive Officer on October 29, 2013 and subsequently resigned from the Board and in the situation, two directors have signed this condensed interim financial information.

**2. BASIS OF PREPARATION**

- 2.1** This condensed interim financial information has been prepared in accordance with requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" and the requirements of Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulation), the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), the Companies Ordinance, 1984 (the Ordinance) and directives issued by the SECP. In case where requirement differs, the requirements of the Rules, the Regulations, the Ordinance or directives issued by SECP have been followed.
- 2.2** This condensed interim financial information does not include all of the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2013.
- 2.3** This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency.
- 2.4** This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Karachi and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984. The figures for the six months period ended December 31, 2013 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

**3. SIGNIFICANT ACCOUNTING POLICIES**

- 3.1** The accounting policies and method of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the Company's annual financial statements for the year ended June 30, 2013.
- 3.2** Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company and therefore not stated in this condensed interim financial information.

#### 4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended June 30, 2013.

#### 5. ACCOUNTING ESTIMATES AND JUDGEMENT

The basis for accounting estimates and judgment adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2013.

	<i>Note</i>	<i>December 31, 2013 Rupees</i>	<i>June 30, 2013 Rupees</i>
<b>6. PROPERTY AND EQUIPMENT</b>			
<b>6.1 Additions - at cost</b>			
Vehicles		3,365,070	265,000
Equipment and appliances		-	175,575
		<u>3,365,070</u>	<u>440,575</u>
<b>6.2 Disposals - at written down value</b>			
Vehicles		47,633	1,324,000
The above disposals represented vehicles costing Rs. 0.11 million (June 30, 2013: Rs. 4.35 million) which were disposed off for Rs. 0.05 million (June 30, 2013: Rs. 1.52 million).			
<b>7. NET INVESTMENT IN LEASE FINANCE</b>			
Net investment in lease finance	7.1	661,901,186	676,198,108
Provision for lease losses	7.2	(467,459,527)	(465,266,835)
		194,441,659	210,931,273
Current portion of net investment in lease finance	7.3 & 11	(193,979,690)	(118,561,731)
		<u>461,969</u>	<u>92,369,542</u>
<b>7.1 Particulars of net investment in lease finance</b>			
Minimum lease payments receivable		666,750,487	680,691,055
Residual value of leased assets		130,679,327	132,365,176
		797,429,814	813,056,231
Unearned finance income		(180,436)	(237,543)
Mark-up held in suspense		(135,348,192)	(136,620,580)
Net investment in lease finance		<u>661,901,186</u>	<u>676,198,108</u>
7.1.1 As at December 31, 2013, the principal outstanding against non-performing lease portfolio as per the criteria prescribed in NBFC Regulations, 2008 amounting to Rs. 651.68 million (June 30, 2013 : Rs. 654.22 million). The forced sale value benefit considered against these non-performing lease portfolio amounting to Rs 70.06 million (June 30, 2013: Rs 82.94 million).			
7.1.2 The lease finances carry mark up ranging from 6M KIBOR plus spread of 2% to 5% (June 30, 2013: 6M KIBOR plus spread of 2% to 5%) per annum having maturity upto 5 years and are secured against leased assets.			
<b>7.2 Provision for lease losses</b>			
Balance at beginning of the period / year		465,266,835	485,097,475
Charge / (reversal) during the period / year - net		2,192,692	(18,434,565)
Written off during the period / year		-	(1,396,075)
Balance at end of the period / year		<u>467,459,527</u>	<u>465,266,835</u>
<b>7.3 Current portion of lease finance</b>			
Maturing within one year		661,439,217	583,828,566
Provision for potential lease losses		(467,459,527)	(465,266,835)
		<u>193,979,690</u>	<u>118,561,731</u>
<b>8. LONG TERM INVESTMENTS</b>			
Investment in:			
- associates - equity method	8.1 - 8.4	191,708,861	189,238,323
- USD bond - available for sale	8.5	7,848,645	6,746,212
		<u>199,557,506</u>	<u>195,984,535</u>

	<i>Note</i>	<i>December 31, 2013 Rupees</i>	<i>June 30, 2013 Rupees</i>
<b>8.1 Investment in associates</b>			
Balance at beginning of the period / year		189,238,323	182,360,837
Share of (loss) / gain		(3,367,517)	2,540,645
Share of reversal of deficit on revaluation of investments recognised in other comprehensive income		5,838,055	4,336,841
Balance at end of the period / year		<u>191,708,861</u>	<u>189,238,323</u>
<b>8.2</b> In March 2013, the license of one of the associates of the Company for carrying out asset management services was cancelled by the SECP and thereby its operations were closed. The investee company has filed an appeal in Islamabad High Court (IHC) which is pending adjudication.			
<b>8.3</b> It includes 6,466,010 shares of Dawood Family Takaful Limited which have been pledged with Nazir, High Court of Sindh in pursuant to the litigation with one of the lender of the Company.			
<b>8.4</b> As per Regulation 19 (g) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), an NBFC shall not hold shares of an amount exceeding 20% of the paid-up share capital of that company or 20% of its own equity, whichever is less. As at December 31, 2013, the Company holds 41.63% shares of B.R.R. Investments (Private) Limited and 26.70% 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 requirements of NBFC Regulations.			
<b>8.5</b> This represents investment in a USD bond amounting to USD 75,000. It is perpetual preference security which entitles holders to receive preferential cash distributions on quarterly basis at the rate of 6.85% (June 30, 2013: 6.85%) per annum. These securities are listed at Luxembourg Stock Exchange.			
<b>9. LONG-TERM FINANCES</b>			
Term finance facilities	9.1 & 9.2	285,910,982	296,877,293
Provision for doubtful finances	9.3	<u>(153,732,809)</u>	<u>(163,592,854)</u>
		132,178,173	133,284,439
Current portion	11	<u>(129,083,779)</u>	<u>(109,995,861)</u>
		<u>3,094,394</u>	<u>23,288,578</u>
<b>9.1</b> The mark-up / profit rates on these facilities ranges from 13.5% to 15.1% (June 30, 2013: 8% to 18.27%) per annum subject to change in SBP discount rate and KIBOR. These are secured against mortgage of immovable properties.			
<b>9.2</b> As at December 31, 2013, long term finance of Rs. 282.82 million (June 30, 2013 : Rs. 293.29 million) which have been placed under non-performing status. The forced sales value benefits considered against these non-performing finances amounting to Rs. 129.80 million (June 30, 2013 : 129.80 million).			
<b>9.3 Particulars of provision for doubtful finances</b>			
Balance at beginning of the period / year		163,592,854	193,038,217
Net reversals during the period / year		(7,010,637)	(7,505,936)
Written off during the period / year		(2,849,408)	(21,939,427)
Balance at end of the period / year		<u>153,732,809</u>	<u>163,592,854</u>
<b>10. DEFERRED TAX ASSET</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 on November 07, 2012. 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 realisability of the deferred tax asset. The Board and management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and consequently it is expected that out of the total deferred tax asset of Rs. 748 million as at December 31, 2013; the deferred tax asset up to Rs. 198.89 million will be realized in the future. Accordingly, the Company has not recognized deferred tax assets of Rs. 549.11 million in respect of remaining carry forward losses and deductible temporary differences.			



	<i>Notes</i>	<i>December 31, 2013 Rupees</i>	<i>June 30, 2013 Rupees</i>
<b>11. CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Net investment in lease finance	7	193,979,690	118,561,731
Long-term finances	9	129,083,779	109,995,861
Long-term loan		-	66,924
		<u>323,063,469</u>	<u>228,624,516</u>
<b>12. SHORT TERM INVESTMENTS</b>			
<i>Available-for-sale</i>			
Term finance certificates / sukuk bonds		3,750,000	9,688,911
Unquoted shares	12.1	18,263,447	20,123,515
Preference shares	12.2	377,668	377,668
		22,391,115	30,190,094
Less: provision for impairment in preference shares		(377,668)	(377,668)
		<u>22,013,447</u>	<u>29,812,426</u>
<i>At fair value through profit or loss - held-for-trading</i>			
Quoted equity securities	12.3	24,317,157	12,977,102
<i>Held-to-maturity</i>			
Treasury Bills		12,992,981	12,444,425
		<u>59,323,585</u>	<u>55,233,953</u>

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

12.2 These represent cumulative redeemable convertible preference shares carried dividend at the rate of 8.95% (June 30, 2013: 8.95%) per annum. These were matured on November 21, 2010. However, due to default in repayment at maturity dates, full provision has been made against these preference shares.

12.3 These include shares having a market value aggregating to Rs. 4.71 million (June 2013: Rs. 4.52 million) which have been pledged with National Clearing Company of Pakistan Limited in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

	<i>Note</i>	<i>December 31, 2013 Rupees</i>	<i>June 30, 2013 Rupees</i>
<b>13. PLACEMENTS AND FINANCES</b>			
Placement and finance- unsecured	13.1	12,000,000	14,500,000
Provision for doubtful finance	13.1.1	(12,000,000)	(14,500,000)
		-	-
Financing against shares	13.2	306,756,172	311,071,100
Provision for doubtful finance	13.2.1	(306,756,172)	(311,071,100)
		-	-
Short-term finance - secured	13.3	55,581,567	60,581,567
Provision for doubtful finance		(34,000,901)	(34,000,901)
		21,580,666	26,580,666
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful finance		(5,000,000)	(5,000,000)
		-	-
Morabaha / musharika finances	13.4	94,306,242	94,886,886
Provision for doubtful finance		(54,181,474)	(54,181,474)
		40,124,768	40,705,412
		<u>61,705,434</u>	<u>67,286,078</u>

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

	<i>December 31, 2013</i>	<i>June 30, 2013</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>13.1.1 Movement in provision for doubtful placement</b>		
Balance at beginning of the period / year	14,500,000	14,500,000
Reversal during the period / year	(2,500,000)	-
Balance at end of the period / year	12,000,000	14,500,000
<b>13.2</b> These financing were made to a company and individuals in the normal course of business and matured on June 30, 2009.		
<b>13.2.1 Movement in provision for doubtful financing against shares</b>		
Balance at beginning of the period / year	311,071,100	311,071,100
Written off during the period / year	(4,314,928)	-
Balance at end of the period / year	306,756,172	311,071,100
<b>13.3</b> These are secured by mortgage of properties and ranking charge over hypothecation of stock and matured on June 30, 2009. During the current period payment of Rs 5 million was received from one of the customers as per agreed restructuring terms.		
<b>13.4</b> 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 matured on June 30, 2009.		
<b>13.5</b> As at December 31, 2013, an amount of Rs 473.64 million (June 30, 2013: Rs 486.04 million) has been placed under non performing status. Provision against non performing finances is made after netting off forced sale values of the collateral assets which amounted to Rs. 54.79 million (June 30, 2013 : Rs. 67.29 million).		
<b>14. ASSETS ACQUIRED IN SATISFACTION OF CLAIM</b>		
These represent two properties (repossessed assets) having market values of Rs 25.10 million and Rs 4.5 million respectively acquired by the Company in settlement of its term finance and lease financing. The Company intends to utilize these properties for settlement of its liabilities.		
	<i>December 31, 2013</i>	<i>June 30, 2013</i>
<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>15. ADVANCE AGAINST LEASE COMMITMENTS</b>		
Considered doubtful	35,696,246	35,696,246
Less : Provision for doubtful advances	(35,696,246)	(35,696,246)
	-	-
<b>16. OTHER RECEIVABLES</b>		
<i>Considered good</i>		
Brokerage receivable	636,660	618,602
Receivable against lease termination	-	2,786,816
Others	58,225,197	57,318,487
16.1	58,861,857	60,723,905
<i>Considered doubtful</i>		
Decreetal amount receivable	37,302,430	37,302,430
TFC proceed receivable from Bankers Equity Limited	12,365,103	12,365,103
Receivable against lease termination	74,048,040	73,581,824
Receivable against KSE card transaction-net	45,515,114	45,515,114
Other	5,555,956	5,555,956
	174,786,643	174,320,427
Less : Provision for doubtful receivables	233,648,500	235,044,332
16.2	(144,427,724)	(138,449,232)
	89,220,776	96,595,100
<b>16.1</b> It includes an amount of Rs 52.95 million receivable from BRR Guardian Modaraba (BRRGM), a related party, on account of sale of repossessed property. Payment will be made by BBRGM once approval from Registrar Modarba in this regard is received.		

			<i>December 31, 2013</i>	<i>June 30, 2013</i>
	<i>Note</i>		<i>Rupees</i>	<i>Rupees</i>
<b>16.2 Movement of provision is as under:</b>				
Balance at beginning of the period / year			138,449,232	144,704,387
Charge / (reversal) during the period / year			5,978,492	(6,255,155)
Balance at end of the period / year			144,427,724	138,449,232
<b>17. LONG TERM LOANS</b>				
<i>Secured</i>				
Asian Development Bank	17.1		10,880,107	21,242,060
Commercial Banks	17.2		433,073,673	439,885,597
			443,953,780	461,127,657
Current portion	18		(443,953,780)	(395,627,657)
			-	65,500,000
<b>17.1</b> This represents a term loan obtained in trenches under Financial Sector Intermediation Loan No. 1371-PAK. The loan is subject to interest at the rate of 6.31% per annum. The repayments are semi-annual and secured by guarantee of a development financial institution. The guarantee is secured against equitable mortgage of investment properties of the Company along with certain investment of the Company. The loan will be fully matured in March 2014.				
<b>17.2</b> These are secured against hypothecation of assets including book debts of the Company ranking pari passu, with the charge created in favour of other lenders to secure short term borrowings. These are subject to mark-up rate ranging from 0% to 5% (2013: 0% to 5%) per annum payable on quarterly / half yearly basis.				
<b>18. CURRENT PORTION OF LONG TERM LIABILITIES</b>				
Long term loans	17		443,953,780	395,627,657
Lease deposits			119,856,010	105,553,984
			563,809,790	501,181,641
<b>19. CERTIFICATES OF INVESTMENT</b>				
State Life Insurance Corporation of Pakistan	19.1		88,500,000	88,500,000
<b>19.1</b> An out of court settlement with State Life Insurance Corporation of Pakistan (SLIC) was initiated on December 29, 2012 with the assistance of Karachi Centre for Dispute Resolution (KCDR) for payment of Rs. 108.50 million. Subsequently a Compromise Application has been filed and accepted by the Honourable High Court of Sindh on February 6, 2013. According to the agreement, the Company agreed to pay (i) Rs 20 million in cash and (ii) transfer 8.4 million shares of Burj Bank Limited (after acquiring it from BRRGM) at par value of Rs 10 each within 90 days from the date of signing of the said agreement and (iii) transfer a repossessed property (flat) of Rs 4.5 million (refer note 14) to the SLIC. The Company duly paid cash of Rs 20 million at the time of signing of the said agreement and also handed possession of the flat however, the shares could not be transferred as the necessary approval of the Registrar Modaraba to BRRGM regarding sale of these shares to the Company is pending. However, sponsors are fully committed to make the aforesaid shares and property available for settlement with SLIC. In February 2014, SLIC filed a case for recovery against the Company in SHC which is pending for hearing.				
<b>20. ACCRUED AND OTHER LIABILITIES</b>				
These include dividend payable on preference shares amounting to Rs. 102.03 million (June 30, 2013: Rs. 87.6 million).				
			<i>December 31, 2013</i>	<i>June 30, 2013</i>
			<i>Rupees</i>	<i>Rupees</i>
<b>21. CONTINGENCIES AND COMMITMENTS</b>				
<b>21.1</b> Letters of comfort / guarantees			2,238,000,000	2,238,000,000
The outstanding guarantees include expired guarantees amounting to Rs. 530 million (June 30, 2013: Rs. 530 million) the original documents of which have not yet been returned to the Company. The outstanding guarantees also include guarantees amounting to Rs. 1,708 million (June 30, 2013: Rs. 1,708 million) called by the beneficiaries. Out of the called guarantees, the guarantees worth Rs. 1,098 million (June 30, 2013: Rs. 1,098 million) are under litigations and are being defended by lawyers of the Company. Details of guarantees are as follows				
<b>a) Guarantees against gas bills</b>				
Guarantees against gas bill provided to a utility company amounting to Rs. 500 million (June 30, 2013: Rs.500 million) expired in the year 2010. However, the original guarantee documents have not yet been returned by the customer. Out of two guarantees, a guarantee of Rs. 270 million was called by the beneficiary after the expiry date. The legal advisors of the Company are of the view that the Company does not have any financial exposure in respect of these guarantees as these have already been expired.				

**b) Guarantees against finances**

The above amount include guarantees given to financial institutions and a pharmaceutical company amounting to Rs. 640 million (2012: Rs.640 million) issued against the financing facilities extended to the clients. Out of three guarantees, one guarantee of Rs. 340 million have been called by the beneficiary. The legal advisors of the Company are of the view that the Company has good merits to defend the case.

**c) Under litigation**

These are guarantees amounting to Rs. 1,098 million (June 30, 2013: Rs.1,098 million) which were called and are under dispute / litigations which are being defended by the lawyers of the Company. Based on the opinion of legal advisors of the Company, the management is confident that adequate legal grounds are available to defend these cases. Accordingly, no provision is required to be made for the said cases in this condensed interim financial information. Brief detail of the guarantees under litigations is 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 the opinion of the legal advisors of the Company, the Company has good merits to defend the case as 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 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.
- v) The guarantee of Rs.10 million to secure repayment of running finance facility of the customer has been called by the beneficiary bank. The Company, in response, filed a recovery case against the customer in the SHC. In January 2013, a settlement agreement was finalized between the customer and the Company under which the customer has undertaken to settle its liability of Rs 10 million directly with the beneficiary. The Company has filed statement in SHC for striking out its name from title of the plaint.

**21.2** 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 this condensed interim financial information.

**21.3** As per the requirements of Regulations 5(2) of NBFC Regulations, 2008, contingent liabilities of an NBFC shall not exceed 10 times of its equity. However, at December 31, 2013, the contingent liabilities (guarantees) of the Company was 12.28 times of its equity.

	<i>Note</i>	<i>December 31, 2013 Rupees</i>	<i>December 31, 2012 Rupees</i>
<b>22. REVERSAL OF PROVISION FOR LEASE LOSSES AND DOUBTFUL RECOVERIES - NET</b>			
Net investment in lease finance	7.2	(2,192,692)	2,116,143
Long term finances	9.3	7,010,637	(5,796,778)
Placements	13.1.1	2,500,000	-
Short term investment		(186,276)	-
Other receivables	16.2	(5,978,492)	5,021,458
Advance against lease commitment		-	6,531,100
		<u>1,153,177</u>	<u>7,871,923</u>

**23. TAXATION**

The current tax represents the minimum tax on turnover for the period under section 113 of the Income Tax Ordinance, 2001.

#### 24. TRANSACTIONS WITH RELATED PARTIES

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

Details of balances and transactions with related parties, other than those disclosed elsewhere in the condensed interim financial information, as at / for the period end / year end are as follows:

	<i>December 31, 2013</i>		<i>June 30, 2013</i>	
	<i>Key management personnel /</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
	----- <i>Rupees</i> -----			
<i>Investment in associate</i>				
Balance at beginning of the period / year	-	189,238,323	-	182,360,837
Share of loss from associate	-	(3,367,517)	-	2,540,645
Share of reversal of deficit on revaluation of investments classified in other comprehensive income	-	5,838,055	-	4,336,841
Balance at end of the period / year	-	191,708,861	-	189,238,323

Short term loan	1,453,500	3,000,920	-	3,000,920
Advance rent	-	1,448,000	-	1,991,000
Long term finance	-	-	-	7,500,000
Disposal of fixed assets - cost	-	-	1,387,500	-

	<i>December 31, 2013</i>		<i>December 31, 2012</i>	
	<i>Key management personnel /</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
	----- <i>Rupees</i> -----			

#### *Settlement transactions*

Land transferred	-	-	-	55,880,000
Transfer cost related to land transfer	-	-	-	6,072,500
Liability of group customer towards BRRGM settled with transfer of land	-	-	-	9,000,000

#### *Charged to profit and loss account*

Common expenses paid	-	199,056	-	1,379,309
Share of profit / (loss) from associate	-	(3,367,517)	-	(4,210,357)
Share of common expenses received	-	56,499	-	383,052
Service charges on staff loan	5,743	-	9,287	-
Rental income	-	543,000	-	543,000
Rental expense	-	1,000,800	-	1,146,960
Takaful expense	-	34,500	-	36,039

## 25. SEGMENT ANALYSIS

Segment information for the six months period ended December 31, 2013 is as follows: -

	<i>Leasing</i>	<i>Investments</i>	<i>Long term finances</i>	<i>Placements &amp; finances</i>	<i>Fee, commission &amp; other income</i>	<i>Total</i>
	<----- Rupees ----->					
External operating revenue	1,329,495	7,237,928	368,571	-	1,904,343	10,840,337
Segment results	(4,520,263)	(24,608,847)	(1,253,136)	-	(6,474,738)	(36,856,984)
Segment assets	194,441,659	258,881,091	132,178,173	61,705,434	-	647,206,357
Unallocated assets	-	-	-	-	-	453,883,854
Total assets						1,101,090,211
Segment liabilities	359,899,909	319,571,087	163,164,959	76,171,159	-	918,807,114

Segment information for the six months period ended December 31, 2012 is as follows: -

	<i>Leasing</i>	<i>Investments</i>	<i>Long term finances</i>	<i>Placements &amp; finances</i>	<i>Fee, Commission &amp; other income</i>	<i>Total</i>
	<----- Rupees ----->					
External operating revenue	2,801,934	7,170,561	249,446	-	14,122,617	24,344,558
Segment results	4,590,803	11,748,540	408,703	-	23,139,073	39,887,119
Segment assets	267,975,197	254,423,269	156,224,598	75,475,649	-	754,098,713
Unallocated assets	-	-	-	-	-	408,414,728
Total assets						1,162,513,441
Segment liabilities	414,017,632	273,192,161	167,749,340	81,043,514	-	936,002,647

**26 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorised for issue on **February 28, 2014** by the Board of Directors of the Company.

**27. GENERAL**

Figures have been rounded off to the nearest Rupee.

This condensed interim financial information has been signed by the two Directors due to reasons stated in note 1.10 to this condensed interim financial information.

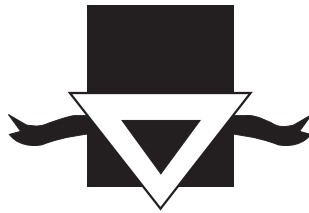
**DIRECTOR**

**DIRECTOR**

BOOK POST

*If undelivered, Please return to:*

FIRST DAWOOD INVESTMENT BANK LTD  
18th Floor, B.R.R Tower, Hasan Ali Street Off:  
I. I. Chundrigar Road, Karachi-74000



**FIRST DAWOOD INVESTMENT BANK LIMITED**

**Head Office:**

18th Floor, B.R.R Tower, Hasan Ali Street Off: I. I. Chundrigar Road, Karachi-74000  
PABX +92 (21) 3227-1875-78, Fax: +92 (21)3227-1912  
Email: [fdib@firstdawood.com](mailto:fdib@firstdawood.com), URL: [www.firstdawood.com](http://www.firstdawood.com)