

**FIRST DAWOOD INVESTMENT  
BANK LIMITED**

**Half Yearly Report  
31 December 2014**



FIRST DAWOOD INVESTMENT BANK LIMITED

## CONTENTS

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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)	11

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## 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	Chairman Director & CEO (Not assumed charge as CEO) Director Director Director
<b>Audit Committee</b>	Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair	Chairman 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</b>	Mr. Syed Musharaf Ali	
<b>Company Secretary</b>	Mr. Naveed Ahmed	
<b>Auditors</b>	Haroon Zakaria & Company Chartered Accountants	
<b>Legal counsels</b>	A.Q. Abbasi & Associates Kabiraji & Talibuddin Kamal Azfar & Associates Khalil Asif Ejaz & Co. Mohsin Tayebaly & Co. Minto & Mirza Nishtar & Zafar S & B Durrani Law Associates	
<b>Bankers</b>	Al-Baraka Islamic Bank Ltd. Bank Al-Habib Ltd. Habib Metropolitan Bank Ltd. MCB Bank Ltd. National Bank of Pakistan Ltd. Oman International Bank Ltd. Standard Chartered Bank Ltd. United Bank Ltd.	
<b>Registered Office</b> Head Office	18 <sup>th</sup> 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>	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	

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

## 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, 2014.

Your company during the 1st half for financial year 2014-15, has reported after-tax profit of Rs.15.65 million as compared to loss of Rs.36.86 million during corresponding period last year. The latter was predominately due to "reversal of Provision" and "surplus on revaluation of investment property". 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 managed to curtail the administrative expenses from Rs.37.24 million to Rs.22.20 million for the period under review in comparison to the corresponding period last year. Financial Cost increased to Rs.19.55 million from Rs.7.06 million during the corresponding period last year.

The management of FDIBL is continuing its efforts for recoveries and focusing its priority on reduction in non-performing portfolio. Our Special Assets and Legal Departments are making coordinated efforts to reduce non-performing loans which are pursued through negotiations and settlements which in the present scenario is the backbone to let the company sustain its present state of affairs and also gear-up itself for normal business activities.

The Board of Directors acknowledges and appreciates the efforts and contribution of all staff and the management in these hard times. We also take this opportunity to express our gratitude to our regulator SECP, our valued customers, business partners, other stakeholders, shareholders and particularly our creditors for their continued patience, confidence and patronage.

February 19, 2015  
**Karachi.**

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



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## INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

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### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of First Dawood Investment Bank Limited ("the company") as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the condensed notes forming part thereof (here-in-after referred to as the "Interim financial information") for the six month period ended December 31, 2014. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed profit and loss account for the quarters ended December 31, 2014 and 2013 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2014.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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, 2014 the company has recognized deferred tax asset of Rs. 198.89 million in respect of unabsorbed tax depreciation on leases, carry forward of unused tax losses and deductible temporary differences. As stated in note 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.

### **Qualified Conclusion**

Based on our review, with the exception of the matter described in paragraphs (a) and (b), 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, 2014 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 the Company is facing financial problems, its accumulated losses as at December 31, 2014 are in the tune of Rs. 1,611.267 million, and as of that date, the Company's current liabilities exceeds its current assets by Rs. 427.86 million, its licenses to carryout business are not renewed and is not being able to meet minimum equity requirements. These conditions along with other matters as stated in note 1.3 and unfunded exposures as described in note 21 indicates the existence of uncertainties which 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. 1,098 million which are under litigations. The ultimate outcome in this regard cannot presently be ascertained; and



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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL  
INFORMATION TO THE MEMBERS**

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iii. as stated in note 8.4 and 21 to the condensed interim financial information, the company is not in compliance with certain requirements of NBFC Regulations. Further, as stated in note 1.2 to the condensed interim financial information appeal for renewal of registration as Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulation, 2012 is currently pending at the appellate bench of SECP.

Our conclusion is not qualified in these matters.

**Other matters**

The condensed interim financial information of the company for the six months period ended December 31, 2014 and financial statements of the company for the year ended June 30, 2014 have been reviewed / audited by another firm of Chartered Accountants whose reports dated February 28, 2014 and September 30, 2014 respectively expressed a modified conclusion and modified opinion thereon respectively. The modified conclusion was related to deferred tax asset, non compliance of NBFC Regulations due to the 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, 2014 was related deferred tax asset, and impairment of investment of one of the associate company of which license for carrying out operation was cancelled by SECP and had emphasis of matter paragraphs on the use of going concern assumption and guarantees under litigations.

**Haron Zakaria & Company**  
Chartered Accountants

**Place:** Karachi  
**Dated:**

**Engagement Partner:**  
**Farhan Ahmed Memon**



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
AS AT DECEMBER 31, 2014

		<i>Unaudited</i> <i>December 31,</i> <i>2014</i>	<i>Audited</i> <i>June 30</i> <i>2014</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
Property and equipment	6.	3,905,685	5,524,976
Intangibles asset		1,233,248	-
Investment properties		89,848,960	71,525,000
Net investment in lease finance	7.	202,460	440,602
Long-term investments	8.	190,816,453	188,083,010
Long-term finances	9.	331,867	331,867
Long-term deposits		3,704,000	3,704,000
Deferred tax asset		198,893,526	198,893,526
		<u>488,936,199</u>	<u>468,502,981</u>
<b>Current Assets</b>			
Current and overdue portion of non-current assets	11.	257,921,399	261,604,026
Short-term investments	12.	61,552,365	57,799,032
Placements and finances	13.	56,035,753	68,255,109
Assets classified as held for sale	14.	95,802,166	95,108,166
Advance against lease commitments	15.	-	-
Loans, advances and prepayments		14,345,038	25,430,782
Mark-up accrued		136,341	212,033
Other receivables	16.	-	-
Cash and bank balances		38,516,330	25,979,252
		<u>524,309,392</u>	<u>534,388,400</u>
		<u>1,013,245,591</u>	<u>1,002,891,381</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Share Capital and Reserves</b>			
Ordinary shares		684,440,002	626,492,900
Preference shares		666,156,040	715,833,540
		<u>1,350,596,042</u>	<u>1,342,326,440</u>
Capital reserves		333,744,789	333,744,789
Accumulated loss		(1,611,267,608)	(1,613,488,445)
		<u>73,073,223</u>	<u>62,582,784</u>
Share of unrealised loss on remeasurement of associates' investments		(3,883,033)	650,190
Unrealised gain on remeasurement of available-for-sale investments		(8,133,037)	(7,632,669)
		<u>61,057,153</u>	<u>55,600,305</u>
<b>Non-Current Liabilities</b>			
Long-term loans	17.	-	-
Long term deposits		18,905	18,905
		<u>18,905</u>	<u>18,905</u>
<b>Current Liabilities</b>			
Current portion of long-term liabilities	18.	523,966,658	538,510,565
Mark-up accrued		127,445,103	108,233,414
Short term borrowings		81,418,223	81,418,223
Certificates of investment	19.	84,000,000	88,500,000
Accrued and other liabilities	20.	133,805,484	129,807,951
Taxation		1,534,065	802,018
		<u>952,169,533</u>	<u>947,272,171</u>
<b>Contingencies and Commitments</b>			
	21.	-	-
		<u>1,013,245,591</u>	<u>1,002,891,381</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 1.9 to this condensed interim financial information.

DIRECTOR

DIRECTOR



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

	<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>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
<i>Note</i>	<i>----- Rupees -----</i>			
<b>INCOME</b>				
Lease income	-	1,329,495	-	135,312
Return on placement, finance deposits and investments	<b>2,620,222</b>	6,202,146	<b>27,263</b>	3,580,171
Gain / (loss) on sale of securities	<b>1,615,062</b>	1,035,782	<b>1,434,053</b>	530,249
Income from long-term finances	<b>1,072,660</b>	368,571	<b>1,033,321</b>	258,925
Other income / (loss)	<b>6,123,925</b>	1,904,343	<b>3,936,106</b>	(1,235,536)
	<b>11,431,869</b>	10,840,337	<b>6,430,743</b>	3,269,121
<b>PROVISION / CHANGES IN FAIR VALUE</b>				
(Provision)/Reversal of provision for potential lease losses and other loan losses - net	22. <b>15,016,119</b>	1,153,177	<b>11,547,257</b>	343,177
(Deficit) / surplus on remeasurement of held for trading securities	<b>961,389</b>	(902,406)	<b>1,254,387</b>	1,556,870
Surplus on revaluation of investment property	<b>18,323,960</b>	-	<b>18,323,960</b>	-
Surplus on revaluation of non-current asset held for sale	<b>5,194,000</b>	-	-	-
Loss on settlement of liabilities	-	(64,926)	-	(64,926)
	<b>39,495,468</b>	185,845	<b>31,125,604</b>	1,835,121
	<b>50,927,337</b>	11,026,182	<b>37,556,347</b>	5,104,242
<b>EXPENDITURES</b>				
Administrative expenses	<b>(22,208,118)</b>	(37,243,051)	<b>(10,445,622)</b>	(20,791,710)
Finance cost	<b>(19,553,050)</b>	(7,065,460)	<b>(16,583,461)</b>	(4,482,133)
	<b>(41,761,168)</b>	(44,308,511)	<b>(27,029,083)</b>	(25,273,843)
Share of profit/(loss) from associates	<b>7,219,341</b>	(3,367,517)	<b>7,219,341</b>	(3,367,517)
<b>LOSS BEFORE TAXATION</b>	<b>16,385,510</b>	(36,649,846)	<b>17,746,605</b>	(23,537,118)
<b>TAXATION</b>				
Current	23. <b>(732,047)</b>	(972,830)	<b>(732,047)</b>	(972,830)
Prior year	-	765,692	-	765,692
	<b>(732,047)</b>	(207,138)	<b>(732,047)</b>	(207,138)
<b>PROFIT/(LOSS) AFTER TAXATION</b>	<b>15,653,463</b>	(36,856,984)	<b>17,014,558</b>	(23,744,256)
Earnings/(loss) per share - basic	<b>0.03</b>	(0.82)	<b>0.164</b>	(0.61)
Earnings/(loss) per share - diluted	<b>0.11</b>	(0.26)	<b>0.0126</b>	(0.16)

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 1.9 to this condensed interim financial information.

DIRECTOR

DIRECTOR



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME(UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

	<i>Six months ended</i>		<i>Quarter ended</i>	
	<i>December 31</i>		<i>December 31</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>----- Rupees -----</i>			
Profit/(loss) after taxation	15,653,463	(36,856,984)	17,014,558	(23,744,256)
<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	(4,533,223)	5,838,055	(4,533,223)	5,838,055
Unrealised gain on remeasurement of investments classified as available-for-sale	(500,368)	581,490	(500,368)	581,490
	(5,033,591)	6,419,545	(5,033,591)	6,419,545
Total comprehensive income for the period	<b>10,619,872</b>	<b>(30,437,439)</b>	<b>11,980,967</b>	<b>(17,324,711)</b>

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DIRECTOR

DIRECTOR



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

	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	Unrealised gain/(loss) on remeasurement of available for sale investments			
Balance at July 01, 2013	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(6,855,881)	1,849,578	(1,443,910,048)	227,154,878	
<b>Total comprehensive income for the period</b>										
- Loss for the period	-	-	-	-	-	-	-	(36,856,984)	(36,856,984)	
<b>Other comprehensive income</b>										
- Share of associates on reversal of unrealised loss on remeasurement of investments	-	-	-	-	-	5,838,055	-	-	5,838,055	
- Unrealised loss on remeasurement of available for sale investments	-	-	-	-	-	5,838,055	581,490	-	581,490	
Dividend on preference shares @ 4%	-	-	-	-	-	-	-	(14,434,342)	(14,434,342)	
<b>Balance at December 31, 2013</b>	<b>626,492,900</b>	<b>715,833,540</b>	<b>277,721,395</b>	<b>53,426,910</b>	<b>2,596,484</b>	<b>(1,017,826)</b>	<b>2,431,068</b>	<b>(1,495,201,374)</b>	<b>182,283,097</b>	
<b>Total comprehensive income for the period</b>										
- Loss for the period	-	-	-	-	-	-	-	(104,088,071)	(104,088,071)	
<b>Other comprehensive income</b>										
- Share of associates on reversal of unrealised loss on remeasurement of investments	-	-	-	-	-	1,668,016	-	-	1,668,016	
- Unrealised loss on remeasurement of available for sale investments	-	-	-	-	-	-	(10,063,737)	-	(10,063,737)	
Dividend on preference shares @ 4%	-	-	-	-	-	1,668,016	(10,063,737)	(104,088,071)	(112,483,792)	
<b>Balance at June 30, 2014</b>	<b>626,492,900</b>	<b>715,833,540</b>	<b>277,721,395</b>	<b>53,426,910</b>	<b>2,596,484</b>	<b>650,190</b>	<b>(7,632,669)</b>	<b>(1,613,488,445)</b>	<b>55,600,305</b>	
<b>Total comprehensive income for the period</b>										
- loss for the period	-	-	-	-	-	-	-	15,653,463	15,653,463	
<b>Other comprehensive income</b>										
- Conversion of preference Shares into ordinary Shares	57,947,102	(49,677,500)	-	-	-	(4,533,223)	-	-	3,736,379	
- Share of associates on unrealised loss on remeasurement of investments	-	-	-	-	-	-	-	-	-	
- Unrealised loss on remeasurement of available for sale investments	-	-	-	-	-	-	(500,368)	-	(500,368)	
Dividend on preference shares @ 4%	-	-	-	-	-	(4,533,223)	(500,368)	15,653,463	18,889,474	
<b>Balance at December 31, 2014</b>	<b>684,440,002</b>	<b>666,156,040</b>	<b>277,721,395</b>	<b>53,426,910</b>	<b>2,596,484</b>	<b>(3,883,033)</b>	<b>(8,133,037)</b>	<b>(1,611,267,608)</b>	<b>61,057,153</b>	

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 1.9 to this condensed interim financial information.

DIRECTOR

DIRECTOR



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

	<i>Six months ended</i> <i>December 31</i> <i>2014</i> <i>Rupees</i>	<i>Six months ended</i> <i>December 31</i> <i>2013</i> <i>Rupees</i>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	16,385,510	(36,649,846)
<b>Adjustments for:</b>		
Depreciation	998,074	1,211,019
Amortization	266,752	-
Gain on sale of securities	(1,615,062)	(1,035,782)
Share of loss on investment in associates	(7,219,341)	3,367,517
Loss on settlement of liabilities	-	64,926
Finance cost	19,553,050	7,065,460
Gain on sale of property and equipment	(1,339,497)	(4,917)
(Provision)/Reversal of provision for potential lease losses and other loan losses - net	(15,016,119)	(1,153,177)
Surplus on revaluation of investment property	(18,323,960)	-
Surplus on revaluation of non-current asset held for sale	(5,194,000)	-
Unrelaid (gain)/ loss on remeasurement of held for trading securities	(961,389)	902,406
Other income	(1,500,000)	(1,899,426)
	<b>(30,351,492)</b>	<b>8,518,026</b>
	<b>(13,965,982)</b>	<b>(28,131,820)</b>
<b>Changes in operating assets and liabilities</b>		
<b>(Increase) / decrease in operating assets</b>		
Net investment in lease finance	10,460,615	14,296,922
Long-term finances	1,111,828	8,116,903
Long-term loans	-	199,455
Placements and finances	15,920,000	8,080,644
Assets classified as held for sale	4,500,000	-
Advances and prepayments	11,085,744	(1,520,094)
Mark up accrued	75,692	1,746,929
Other receivables	-	2,300,051
Deferred income	-	(1,376,765)
	<b>43,153,879</b>	<b>31,844,045</b>
	<b>29,187,897</b>	<b>3,712,225</b>
<b>Increase / (decrease) in operating liabilities</b>		
Certificates of investment	(4,500,000)	-
Long term deposits	(3,644,895)	(1,685,849)
Accrued and other liabilities	3,997,533	1,748,965
	<b>(4,147,362)</b>	<b>63,116</b>
Financial cost paid	(244,427)	(797,422)
Tax paid	-	(627,817)
<b>Net cash generated from operating activities</b>	<b>24,796,108</b>	<b>2,350,102</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(163,000)	(3,365,070)
Proceeds from disposal of property and equipment	2,123,714	52,549
Short-term investments made - net	(3,339,637)	(4,142,532)
<b>Net cash used in investing activities</b>	<b>(1,378,923)</b>	<b>(7,455,053)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term loans	(10,880,107)	(17,173,877)
<b>Net cash used in financing activities</b>	<b>(10,880,107)</b>	<b>(17,173,877)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>12,537,078</b>	<b>(22,278,828)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>25,979,252</b>	<b>67,003,068</b>
<b>Cash and cash equivalents at end of the period</b>	<b>38,516,330</b>	<b>44,724,240</b>

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 1.9 to this condensed interim financial information.

DIRECTOR

DIRECTOR



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

**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 registration as a Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 which was denied by SECP vide its order dated November 22, 2013 against which an appeal has been filed before appellate bench of SECP on December 17, 2013. The appeal is pending. The Company is acting as trustees to Term Finance Certificates / Sukuk issued by Allied Bank of Pakistan, Escorts Investment Bank Limited, Engro Fertilizers Limited, Saudi Pak Leasing Company Limited, New Allied Electronics Industries (Private) Limited, Security Leasing Company Limited, Dewan Cement Limited, House Building Finance Company Limited, Bunny's Limited, Pak Hy-Oils Limited, and Flying Board and Paper Products Limited. The value of assets under trustee as at December 31, 2014 amounted to Rs. 16.39 billion (as at June 30, 2014: Rs. 16.89 billion).
- 1.3** The Company accumulated losses reached to Rs. 1,611.267 million as at December 31, 2014 and its current liabilities exceed current assets by Rs 427.860 million. The Company started facing financial difficulties from financial year 2008-09 as a result of unwarranted liquidity crunch in the financial sector mainly due to closure of KSE for all practical purpose for 109 days and erosion of values in the stock market by approximately 60% which resulted in withdrawal of money market lines of NBFC sector. The clean money market lines of the Company of over Rs. 5 billion from the banking sector were abruptly withdrawn and hence Company was unable to meet its commitments on time due to liquidity crunch. Since, the Company was unable to repay as per schedule of payment, certain banks and financial institutions filed cases and / or served legal notices against the Company. These unprecedented conditions resulted in down grading of credit rating and non compliance of requirements of NBFC Regulations regarding minimum capital. Further, leasing license has not been renewed and the Company since then has not been able to raise funds under certificates of investment or through banks. Presently, the equity of the Company is Rs. 61.057 million which is below the Minimum Equity Requirement (MER) of Rs. 1,700 million as prescribed by the SECP. The Company awaits approval of draft rules for the NBFC and MER Compliance would be done accordingly.

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

**1.4 Mitigation plan**

- a.** The Company issued cumulative, convertible preference shares of Rs. 715.83 million on June 09, 2010 against settlement of certain liabilities / loans. These preference shares carry preference dividend @ 4% on cumulative basis and are redeemable at par after five years. The Company expects that the preference shares along with the cumulative dividend will be converted into ordinary shares of the Company. During the six months ended, the Company converted 50% holding of one of its preference shareholders which amounted to Rs. 5.795 million (including conversion of preference dividend of Rs. 0.827 million) into ordinary shares of Rs. 10 each.
- b.** The Company has successfully able to meet over 95% of its financial obligations through recoveries and settlements and has been able to settle Rs.10 billion (approximately) worth of its liabilities and other commitments through its assets in last 5 to 6 years. It further plans to continue with the settlement of its remaining outstanding liabilities i.e. around Rs. 600 million.
- c.** The Company has been able to restructure a major portion of its liabilities at zero percent mark up and now settlement of the same against its assets is underway.
- d.** The Company is meeting all of its expenses since the financial turmoil of 2008-09 without any external financial support or a bail-out package. Further, the Company has adequate liquid assets in the form of bank balances and short term investments to meet its obligations / expenses in the next twelve months and more.
- e.** The Company is aggressively following-up with its non-performing portfolio for recovery of principal, mark-up and repossession of collateral assets. In this respect, the management has realigned its strategy accordingly.
- f.** During the six months ended December 31, 2014, the Company made recoveries amounting Rs. 32.39 million which is below the expected recovery amount of Rs. 51.75 million. Major reason for the difference was slow litigation system in the country. The management is expecting to recover the amount either through auction of the collateralized assets or transfer of title of the collateralized asset through the Court order or out of court settlement.
- g.** The Company expects recovery of approximately Rs. 250 to Rs. 300 million in the next three financial years.

**1.5 Expected NBF sector reforms / regime**

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



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

**1.6 Future prospects**

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

**1.7 Cases under litigation**

**Funded exposure**

As at December 31, 2014, only three cases are pending in the court of law. In two cases, financial institutions have obtained decrees aggregated to Rs. 81.4 million against which the Company has filed appeals in the Honorable Supreme Court of Pakistan which are pending adjudication. In one of the aforementioned case, a counter claim of Rs. 22.3 million has also been made by the Company in the Banking Court at Karachi. Whilst in the third case an investor has filed for execution of an out of court settlement agreement in the High Court of Sindh.

**Unfunded exposure**

Total amount of letters of comfort / guarantees as at December 31, 2014 amounting to Rs. 1,098 million are under litigations. The legal counsel of the Company is confident that no funded claim will arise out of these guarantees due to non-completion of formalities prior to its issuance and some basic flaws in guarantee documentation and not meeting terms of the guarantees by the beneficiaries.

**1.8 Credit rating**

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

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

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

**2. BASIS OF PREPARATION**

**2.1** 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, 2014.

**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, 2014 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

**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, 2014.

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, 2014.

**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, 2014.

	<i>December 31, 2014</i>	<i>June 30, 2014</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>6. PROPERTY AND EQUIPMENT</b>		
<b>6.1 Additions - at cost</b>		
Vehicles	-	3,365,070
Computer equipments	33,000	-
Furniture & fixtures	130,000	-
	<u>163,000</u>	<u>3,365,070</u>
<b>6.2 Disposals - at written down value</b>		
Equipment & appliances	-	78,128
Vehicles	784,217	146,105
	<u>784,217</u>	<u>146,105</u>

The above disposals represented vehicles costing Rs. 0.784 million (June 30, 2014: Vehicle Rs.0.146 million and office equipment Rs. 0.0781) which were disposed off for Rs. 2.123 million (June 30, 2014: Vehicle: Rs. 0.159 million and office equipment: Rs 0.045 million).

		<i>December 31, 2014</i>	<i>June 30, 2014</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>7. NET INVESTMENT IN LEASE FINANCE</b>			
Net investment in lease finance	7.1	579,267,563	583,883,761
Provision for lease losses	7.2	(451,224,785)	(452,992,042)
		<u>128,042,778</u>	130,891,719
Current portion of net investment in lease finance	7.3 & 11	(127,840,318)	(130,451,117)
		<u>202,460</u>	<u>440,602</u>
<b>7.1 Particulars of net investment in lease finance</b>			
Minimum lease payments receivable		599,621,602	610,082,217
Residual value of leased assets		102,216,301	105,880,102
		<u>701,837,903</u>	715,962,319
Unearned finance income		(130,160)	(130,160)
Mark-up held in suspense		(122,440,180)	(131,948,398)
<b>Net investment in lease finance</b>		<u>579,267,563</u>	<u>583,883,761</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

7.1.1 As at December 31, 2014, 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, 2014 : Rs. 487.03 million). The forced sale value benefit considered against these non-performing lease portfolio amounting to Rs. 70.06 million (June 30, 2014: Rs. 34.03 million).

7.1.2 The lease finances carry mark up ranging from 6M KIBOR plus spread of 2% to 5% (June 30, 2014: 6M KIBOR plus spread of 2% to 5%) per annum having maturity up to 5 years and are secured against leased assets.

	<i>December 31, 2014</i>	<i>June 30, 2014</i>
<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>7.2 Provision for lease losses</b>		
Balance at beginning of the period / year	452,992,042	465,266,835
Charge / (reversal) during the period / year - net	(1,767,257)	28,809,953
Written off during the period / year	-	(41,084,746)
Balance at end of the period / year	<u>451,224,785</u>	<u>452,992,042</u>
<b>7.3 Current portion of lease finance</b>		
Maturing within one year	579,065,103	583,443,159
Provision for potential lease losses	<u>(451,224,785)</u>	<u>(452,992,042)</u>
	<u>127,840,318</u>	<u>130,451,117</u>

**8. LONG TERM INVESTMENTS**

Investment in:

- associates - equity method	8.1 - 8.4	183,246,544	180,560,426
- USD bond - available for sale	8.6	7,569,909	7,522,584
		<u>190,816,453</u>	<u>188,083,010</u>

**8.1 Investment in associates**

Balance at beginning of the period / year		180,560,426	189,238,323
Share of (loss) / gain		7,219,341	(16,183,968)
Share of reversal of deficit on revaluation of investments recognized in other comprehensive income		(4,533,223)	7,506,071
Balance at end of the period / year	8.5	<u>183,246,544</u>	<u>180,560,426</u>

8.2 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.

8.3 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.

8.4 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, 2014, 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.

8.5 This amount include investmnet in Dawood Family Takaful Limited which is based on unaudited financial statements as on September 30, 2014 due to the annual audit is in progress.

8.6 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, 2014: 6.85%) per annum. These securities are listed at Luxembourg Stock Exchange.



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

	<i>Note</i>	<i>December 31, 2014 Rupees</i>	<i>June 30, 2014 Rupees</i>
<b>9. LONG-TERM FINANCES</b>			
Term finance facilities	9.1 & 9.2	278,765,757	279,877,585
Provision for doubtful finances	9.3	(148,352,809)	(148,392,809)
		<b>130,412,948</b>	131,484,776
Current portion	11	(130,081,081)	(131,152,909)
		<b>331,867</b>	<b>331,867</b>
<b>9.1</b>	The mark-up / profit rates on these facilities ranges from 13.5% to 15.1% (June 30, 2014: 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>9.2</b>	As at December 31, 2014, long term finance of Rs. 278.7 million (June 30, 2014 : Rs. 279.21 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, 2014 Rs. 129.80 million).		
<b>9.3 Particulars of provision for doubtful finances</b>		<i>December 31, 2014 Rupees</i>	<i>June 30, 2014 Rupees</i>
Balance at beginning of the period / year		148,392,809	163,592,854
Net reversals during the period / year		(40,000)	(12,350,637)
Written off during the period / year		-	(2,849,408)
Balance at end of the period / year		<b>148,352,809</b>	<b>148,392,809</b>
<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. The said plan involves certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. The determination of future taxable profit is directly related and sensitive to certain key assumptions such as recoveries of outstanding lease and long term finances, resumption of licenses, expected return on investments and bank balances etc. Any change in the key assumptions may have an effect on the realizability of the deferred tax asset. The Board and management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and consequently it is expected that out of the total deferred tax asset of Rs.913.19 million has calculated in earlier years, the deferred tax asset up to Rs. 198.89 million (including deferred tax asset of Rs 190.97 million on unabsorbed depreciation) will be realized in the near future. The Company has not recognized deferred tax assets of Rs. 714.30 million in respect of remaining carry forward losses and deductible temporary differences.			
		<i>December 31, 2014 Rupees</i>	<i>June 30, 2014 Rupees</i>
<b>11. CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Net investment in lease finance	7	127,840,318	130,451,117
Long-term finances	9	130,081,081	131,152,909
		<b>257,921,399</b>	<b>261,604,026</b>
<b>12. SHORT TERM INVESTMENTS</b>			
<b>Available-for-sale</b>			
Term finance certificates / sukuk bonds		3,750,000	3,750,000
Unquoted shares	12.1	15,083,006	15,630,699
Preference shares	12.2	377,668	377,668
		<b>19,210,674</b>	19,758,367
Less: provision for impairment in preference shares		(377,668)	(377,668)
		<b>18,833,006</b>	19,380,699
<b>At fair value through profit or loss - held-for-trading</b>			
Quoted equity securities	12.3	42,719,359	38,418,333
		<b>61,552,365</b>	<b>57,799,032</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

- 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. The above amounts are based on unaudited financial statements as on September 30, 2014.
- 12.2 These represent cumulative redeemable convertible preference shares carried dividend at the rate of 8.95% (June 30, 2014: 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. 5.6 million (June 2014: Rs. 2.32 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, 2014 Rupees</i>	<i>June 30, 2014 Rupees</i>
<b>13. PLACEMENTS AND FINANCES</b>			
Placement and finance- unsecured	13.1	<b>9,000,000</b>	12,000,000
Provision for doubtful finance	13.1.1	<b>(9,000,000)</b>	(12,000,000)
		-	-
Financing against shares	13.2	<b>306,756,172</b>	306,756,172
Provision for doubtful finance	13.2.1	<b>(306,756,172)</b>	(306,756,172)
		-	-
Short-term finance - secured	13.3	<b>39,581,567</b>	50,581,567
Provision for doubtful finance		<b>(21,990,943)</b>	(21,990,943)
		<b>17,590,624</b>	28,590,624
Certificates of deposit		<b>5,000,000</b>	5,000,000
Provision for doubtful finance		<b>(5,000,000)</b>	(5,000,000)
		-	-
Morabaha / musharika finances	13.4	<b>89,920,959</b>	91,840,959
Provision for doubtful finance		<b>(51,475,830)</b>	(52,176,474)
		<b>38,445,129</b>	39,664,485
		<b>56,035,753</b>	68,255,109

- 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. 12.0 million in four equal annual installments of Rs. 3.0 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, 2014 Rupees</i>	<i>June 30, 2014 Rupees</i>
<b>13.1.1 Movement in provision for doubtful placement</b>		
Balance at beginning of the period / year	<b>12,000,000</b>	14,500,000
Reversal during the period / year	<b>(3,000,000)</b>	(2,500,000)
Balance at end of the period / year	<b>9,000,000</b>	12,000,000

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

	<i>December 31, 2014 Rupees</i>	<i>June 30, 2014 Rupees</i>
<b>13.2.1 Movement in provision for doubtful financing against shares</b>		
Balance at beginning of the period / year	<b>306,756,172</b>	311,071,100
Written off during the period / year	-	(4,314,928)
Balance at end of the period / year	<b>306,756,172</b>	306,756,172



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

- 13.3 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. 11.0 million was received from two customers as per agreed restructuring terms.
- 13.4 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 matured on June 30, 2009.
- 13.5 As at December 31, 2014, an amount of Rs. 450.258 million (June 30, 2014: Rs. 451.68 million) has been placed under non performing status. Provision against non performing finances is made after netting off forced sale values of the collateral assets which amounted to Rs. 53.75 million (June 30, 2014 : Rs. 53.75 million).

**14. ASSETS CLASSIFIED AS HELD FOR SALE**

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.. The title of this land is in the name of an associated company.

	<i>December 31, 2014</i>	<i>June 30, 2014</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>15. ADVANCE AGAINST LEASE COMMITMENTS</b>		
Considered doubtful	35,696,247	35,696,246
Less: Provision for doubtful advances	<u>(35,696,247)</u>	<u>(35,696,246)</u>
	-	-
	<i>December 31, 2014</i>	<i>June 30, 2014</i>
	<i>Note</i>	<i>Rupees</i>

**16. OTHER RECEIVABLES**

**Considered doubtful**

Decretal amount receivable	16.1	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	74,048,040
Receivable against KSE card transaction-net	16.2	45,515,114	45,515,114
Accounts receivables-others		5,295,096	5,295,096
Other		<u>636,660</u>	<u>636,660</u>
		175,162,443	175,162,443
Less : Provision for doubtful receivables	16.3	<u>(175,162,443)</u>	<u>(175,162,443)</u>
		-	-

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

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

	<i>December 31, 2014</i>	<i>June 30, 2014</i>
	<i>Note</i>	<i>Rupees</i>
<b>16.3 Movement of provision is as under:</b>		
Balance at beginning of the period / year		175,162,443
Charge / (reversal) during the period / year		<u>-</u>
Balance at end of the period / year		<u>175,162,443</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

		<i>December 31, 2014</i>	<i>June 30, 2014</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>17. LONG TERM LOANS</b>			
<b>SECURED</b>			
Asian Development Bank		-	10,880,107
Commercial Banks	17.1	<u>432,573,673</u>	<u>432,573,673</u>
		<u>432,573,673</u>	443,453,780
Current portion	18	<u>(432,573,673)</u>	<u>(443,453,780)</u>
		<u>-</u>	<u>-</u>

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

		<i>December 31, 2014</i>	<i>June 30, 2014</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>18. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Long term loans	17.1	432,573,673	443,453,780
Long term deposits		<u>91,392,985</u>	<u>95,056,785</u>
		<u>523,966,658</u>	<u>538,510,565</u>

**19. CERTIFICATES OF INVESTMENT**

State Life Insurance Corporation of Pakistan	19.1	<u>84,000,000</u>	<u>88,500,000</u>
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19.1 An out of court settlement with the insurance company was initiated on December 29, 2012 with the assistance of Karachi Centre for Dispute Resolution (KCDR) for payment of Rs. 108.50 million. Subsequently a Compromise Application has been filed and accepted by the Honorable High Court of Sindh on February 6, 2013. According to the terms of agreement, the Company agreed to pay (i) Rs. 20 million in cash and (ii) transfer 8.4 million shares of Burj Bank Limited (after acquiring it from BRRGM) at par value of Rs. 10 each within 90 days from the date of signing of the said agreement and (iii) transfer a repossessed property (flat) of Rs. 4.5 million to the SLIC. The Company duly paid cash of Rs. 20 million at the time of signing of the said agreement and also handed possession of the flat however, the shares could not be transferred as the necessary approval of the Registrar Modaraba to BRRGM regarding sale of these shares to the Company is pending. Nevertheless, sponsors and management are committed to make the aforesaid shares for settlement. In February 2014, the insurance company filed a case for recovery against the Company in SHC which is pending for hearing. Company has obtained decree from High Court of Sindh for transfer of shares in the name of the company which are transferred subsequent to the year end.

**20. ACCRUED AND OTHER LIABILITIES**

These include dividend payable on preference shares amounting to Rs.121.396 million (June 30, 2014 : Rs.116.233 million).

		<i>December 31, 2014</i>	<i>June 30, 2014</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>21. CONTINGENCIES AND COMMITMENTS</b>			
21.1 Letters of comfort / guarantees		<u>1,098,000,000</u>	<u>2,238,000,000</u>

The guarantees worth Rs. 1,098 million (June 30, 2014: Rs. 1,098 million) are under litigations and are being defended by 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.



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

- 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, 2014, the contingent liabilities (guarantees) of the Company was 17.7112 times of its equity.

		<i>December 31, 2014</i>	<i>June 30, 2014</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>22. REVERSAL OF PROVISION FOR LEASE LOSSES AND DOUBTFUL RECOVERIES - NET</b>			
Net investment in lease finance	7.2	<b>(1,767,257)</b>	28,809,953
Long term finances	9.3	<b>(40,000)</b>	(12,350,637)
Placements	13.1.1	<b>(3,700,644)</b>	(16,514,958)
Short term investment		-	36,713,211
Reversal of suspense	16.2	<b>(9,508,218)</b>	-
		<b><u>(15,016,119)</u></b>	<b><u>36,657,569</u></b>

**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.



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

**25. SEGMENT ANALYSIS**

Segment information for the six months period ended December 31, 2014 is as follows: -

	Leasing	Investments	Long term finances	Placements & finances	Fee, commission & other income	Total
	----- Rupees -----					
External operating revenue	-	4,235,284	1,072,660	-	6,123,925	11,431,869
Segment results	-	(5,799,302)	(1,468,775)	-	(8,385,386)	(15,653,463)
Segment assets	128,042,778	252,368,818	130,412,948	56,035,753	-	566,860,297
Unallocated assets	-	-	-	-	-	446,385,294
Total assets						<u>1,013,245,591</u>
Segment liabilities	285,844,665	383,221,688	198,031,874	85,090,211	-	<u>952,188,438</u>

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

	Leasing	Investments	Long term finances	Placements & finances	Fee, Commission & other income	Total
	<----- 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						<u>1,101,090,211</u>
Segment liabilities	359,899,909	319,571,087	163,164,959	76,171,159	-	<u>918,807,114</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2014

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, 2014</i>		<i>June 30, 2014</i>	
	<i>Key management personnel /</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
	----- Rupees -----			
<b>Investment in associate</b>				
Balance at beginning of the period / year	-	180,560,426	-	189,238,323
Share of loss from associate	-	-	-	(16,183,968)
Share of reversal of deficit on revaluation of investments classified in other comprehensive income	-	-	-	-
	-	-	-	7,506,071
Balance at end of the period / year	-	180,560,426	-	180,560,426
<b>Long term finances / loans</b>				
Short term loan	484,500	3,000,920	726,750	3,000,920
Advance rent	-	362,000	-	905,000
Long term finance	-	-	-	-
Disposal of fixed assets - cost	-	-	52,275	-
	484,500	3,362,920	779,025	3,905,920
<b>Charged to profit and loss account</b>				
Common expenses paid	-	83,019	-	2,322,810
Share of profit / (loss) from associate	-	-	-	(16,183,968)
Share of common expenses received	-	-	-	643,005
Service charges on staff loan	-	-	5,743	-
Rental income	-	2,275,966	-	1,086,000
Rental expense	-	-	-	2,020,800
Takaful expense	-	-	-	69,000
	-	2,358,985	5,743	(10,042,353)

**26 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on February 19, 2015 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 two Directors due to reasons stated in note 1.9 to this condensed interim financial information.

**DIRECTOR**

**DIRECTOR**

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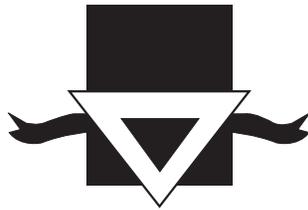
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