

**FIRST DAWOOD INVESTMENT
BANK LIMITED**

Half Yearly Report
31 December 2017



FIRST DAWOOD INVESTMENT BANK LIMITED

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CORPORATE INFORMATION

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

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") are pleased to present the interim financial statements of the Company for the period ended December 31, 2017.

Your company during the half year of the financial year 2017-18, has reported after-tax profit of Rs. 127.56 million as compared to profit of Rs.8.906 million during corresponding period last year. The augmentation in profit is primarily due to recognition of additional deferred tax assets and reversal of a liability which is no longer payable. Despite high inflationary trend, the management has kept tight cost controls, the administrative expenses are being maintained at same levels, while financial cost has decreased from Rs.5.48 million to nil for the period under review in comparison to the corresponding period last year. The earning per share as of December 31, 2017 is 0.86.

The Company has applied for renewal of Investment Finance Services license which is pending with NBFC department of SECP and it expects a favourable response.

February 26, 2018
Karachi.

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

Asad Hussain Bokhari
Chairman

ڈائریکٹرز کی رپورٹ:

تمام ڈائریکٹرز ۳۱ دسمبر سنہ ۲۰۱۷ء کی دوسری سہ ماہی غیر آڈٹ شدہ مالیاتی گوشوارے کے ساتھ رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔ ادارے نے دوسری سہ ماہی ۳۱ دسمبر سنہ ۲۰۱۷ء کے مالیاتی گوشوارے منافع بعد ٹیکس ۱۲۷ روپے ملین اور پچھلے مالیاتی سال کے دوسری سہ ماہی کا منافع ۸۰.۰۹ روپے ملین روپے منافع میں اضافہ کی بنیادی وجہ ڈیفنڈ ٹیکس اثاثوں میں اضافہ اور قابل ادائیگی مارک اپ کی ادائیگی سے مبرا ہونا ہے۔ حالانکہ مہنگائی کے رجحان کے باوجود ادارے نے اخراجات کو کنٹرول کیا ہے۔ اسی مد میں انتظامی اخراجات کو پچھلے مالیاتی سال کے متنا سب رکھنے میں کامیاب ہوا اور سود کی رقم میں بھی ۵.۲۸ ملین روپے ہے۔ ۳۱ دسمبر سنہ ۲۰۱۷ء کو منافع فی شیئر ۰.۸۶ روپے ہے بیک مسلسل اسی جدوجہد میں ہے کہ اخراجات کو قابو میں رکھے۔

کمپنی اپنے اخراجات نان پرفارمنگ قرضہ جات کی واپسی کے ذریعے قرضہ جات کے مد میں خاطر خواہ کمی کی جاسکے جو کہ ایک ستون کی حیثیت رکھتی ہے اس ادارے کے لئے۔

ہم اچھی طرح مستقبل کے چیلنجز سے آگاہ ہیں اور ہم پر اعتماد ہیں کہ یہ ادارہ کاروباری سرگرمیوں کے لیے طرف بڑھے گی اور قرضہ جات کی وصولی کے ذریعے اپنی مالیاتی حیثیت کو بہتر کرے گا۔

نئے NBFC's روڈز کے تحت ریگولیٹر سے منظور شدہ ہیں اور ان نئے روڈز کے تحت یہ ادارہ Equity شرائط کو پورا کرتا ہے۔

بورڈ آف ڈائریکٹرز مشکل حالات میں بھی پوری محنت لگن اور عزم کے ساتھ کام کرنے پر انتظامیہ سمیت تمام ملازمین کی خدمت کو قدر کی نگاہ سے دیکھتا ہے۔

تاریخ: 26 فروری، 2018
کراچی

بورڈ آف ڈائریکٹرز کی طرف سے
چیئرمین

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

We have reviewed the accompanying condensed interim balance sheet of First Dawood Investment Bank Limited ("the company") as at December 31, 2017 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, 2017. 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, 2017 and 2016 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2017.

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) The company has recognized deferred tax asset of Rs.428.97 million in respect of carry forward of unused tax losses, various provisions and Alternate corporate tax. As stated in note 10 of 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, since the company does not have a valid license to do new business, therefore it is difficult to accept the assumptions and projections in this regard and accordingly, deferred tax asset should be reversed resulting in corresponding impact on equity and profits;

Qualified Conclusion

Based on our review, with the exception of the matter described in paragraph (a) above, 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, 2017 is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matters

We draw attention to the following:

- i. Note 1.3 to the condensed interim financial information which describes that licenses to carryout business are not renewed. These conditions along with other matters as stated in note 1.3 and investment exposures exceeding threshold as described in note 8.3 indicates the existence of uncertainties which may cast significant doubt about the company's ability to continue as a going concern and company may not be able to realize its assets and discharge its liabilities at stated amounts.
- ii. Note 21 to the condensed interim financial information which gives details of contingencies, the ultimate outcome in this regard cannot presently be determined.
- iii. 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 Honourable High Court of Sindh, Karachi.

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

iv. Note 15 to the financial statements which explains the reason for non- transfer of asset classified as held-for-sale and carried at lower of carrying value or of recoverable amount.

v. Note 20.2 and 20.3 to the condensed interim financial information which describes the litigation with HBFC over the settlement amount of liabilities due to different cost of funds as determined by SBP and JCR-VIS.

Our conclusion is not qualified in respect of (i) to (v) above.

Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: 26 February, 2018

Engagement Partner:
Farhan Ahmed Memon

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2017

	<i>Unaudited</i>	<i>Audited</i>
	December 31	June 30
	2017	2017
<i>Note</i>	Rupees	Rupees
<u>ASSETS</u>		
Non-Current Assets		
Property and equipment	6. 496,586	730,135
Intangibles asset	933,186	983,578
Investment properties	29,777,000	27,070,000
Net investment in lease finance	7. -	-
Long-term investments	8. 165,835,146	203,180,826
Long-term finances	9. -	-
Long-term deposits	4,139,822	4,139,822
Deferred tax asset	10. 428,969,705	381,210,328
	630,151,445	617,314,689
Current Assets		
Current and overdue portion of non-current assets	11. 212,652,062	171,976,537
Short-term investments	12. 29,333,428	79,246,555
Available for sale investments held with nazir SHC	13. 64,224,683	-
Placements and finances	14. 38,965,413	42,025,413
Assets classified as held for sale	15. 25,103,000	93,295,960
Advance against lease commitments	16. -	-
Loans and advances	3,152,882	8,774,274
Income tax refund	718,236	718,236
Deposits and prepayments	38,758,931	35,019,196
Mark-up accrued	170,669	152,869
Other receivables	17. 6,000,000	6,000,000
Cash and bank balances	26,399,786	4,084,279
	445,479,090	441,293,319
Total Assets	1,075,630,535	1,058,608,008
<u>EQUITY AND LIABILITIES</u>		
Share Capital and Reserves		
Ordinary shares	1,483,900,230	1,483,900,230
Capital reserves	435,100,336	435,100,336
Accumulated loss	(1,390,487,522)	(1,518,045,423)
	528,513,044	400,955,143
Share of unrealised gain on remeasurement of associates' investments	3,060,506	12,883,266
Unrealised loss on remeasurement of available-for-sale investments	10,293,792	(4,385,277)
	541,867,342	409,453,132
Non-Current Liabilities		
Long-term loans	18. 68,140,000	125,740,000
Current Liabilities		
Current portion of long-term liabilities	19. 361,991,536	361,991,536
Mark-up accrued	33,028,644	95,520,993
Short term borrowings-in litigation	20. 56,266,346	56,266,346
Accrued and other liabilities	5,426,749	8,756,384
Taxation	8,909,918	879,617
	465,623,193	523,414,876
Contingencies and Commitments	21.	
Total Equities and Liabilities	1,075,630,535	1,058,608,008

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

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2017

Note	Six months ended		Quarter ended	
	December 31		December 31	
	2017	2016	2017	2016
	----- Rupees -----			
Income				
Lease income	1,553,332	1,274,177	1,182,832	1,269,035
Return on placement, finance deposits and investments	1,462,479	11,389,020	127,238	1,255,378
Gain on sale of securities	4,885,675	3,100,995	4,430,519	1,531,101
Income from long-term finances	44,819	1,606,970	21,523	1,579,698
Other income	1,015,150	1,874,847	1,010,900	(632,253)
	8,961,455	19,246,009	6,773,012	5,002,959
Provision / changes in fair value				
Reversal / (provision) for potential lease losses and other loan losses - net	22. 45,494,641	4,962,760	36,769,459	4,762,760
(Deficit) / surplus on remeasurement at fair value through profit and loss	(805,502)	6,188,097	(574,390)	3,749,654
Unrealized gain on remeasurement of investments property	2,707,000	-	2,707,000	-
Impairment on assets held for sale	(10,592,960)	-	(10,592,960)	-
Liabilities Written back	62,492,349	-	62,492,349	-
	99,295,528	11,150,857	90,801,458	8,512,414
	108,256,983	30,396,866	97,574,470	13,515,373
Expenditures				
Administrative expenses	(18,486,664)	(18,287,170)	(9,670,141)	(9,065,294)
Finance cost	-	(5,483,370)	-	3,769
	(18,486,664)	(23,770,540)	(9,670,141)	(9,061,525)
Share of profit from associates	4,884,944	2,753,261	4,884,944	2,753,261
Profit before taxation	94,655,264	9,379,587	92,789,274	7,207,109
Taxation	23. 32,902,637	(473,475)	(14,216,407)	(360,581)
Profit after taxation	127,557,901	8,906,112	78,572,867	6,846,528
Earning per share - basic	0.86	0.06	0.53	0.05
Earning per share - diluted	0.86	0.06	0.53	0.05

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

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2017

	<i>Six months ended</i>		<i>Quarter ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>----- Rupees -----</i>			
Profit after taxation	127,557,901	8,906,112	78,572,867	6,846,528
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Share of associates on unrealised gain on remeasurement of investments	(9,822,760)	11,372,684	141,763	17,646,778
Unrealised gain on remeasurement of investments classified as available-for-sale	14,679,069	3,878,053	14,679,069	3,878,053
	4,856,309	15,250,737	14,820,832	21,524,831
Total comprehensive income for the period	132,414,210	24,156,849	93,393,699	28,371,359

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

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	Share Capital		Capital Reserves				Accumulated loss	Total
	Ordinary shares	Statutory reserve	Premium on issue of right shares	Capital reserve on acquisition	Company's share of unrealised gain / (loss) on remeasurement of associates' investments	Unrealised gain / (loss) on remeasurement of available for sale investments		
----- Rupees -----								
Balance at July 01, 2016	1,483,900,230	379,076,942	53,426,910	2,596,484	(46,791)	(9,484,324)	(1,233,406,419)	676,063,032
Total comprehensive income for the period								
- Profit for the period	-	-	-	-	-	-	8,906,112	8,906,112
Other comprehensive income								
- Share of associates on unrealised gain on remeasurement of investments	-	-	-	-	11,372,684	-	-	11,372,684
- Unrealized loss on remeasurement of available for sale investments	-	-	-	-	-	3,878,053	-	3,878,053
Dividend on preference shares @ 4%	-	-	-	-	11,372,684	3,878,053	8,906,112	24,156,849
Balance at December 31, 2016	1,483,900,230	379,076,942	53,426,910	2,596,484	11,325,893	(5,606,271)	(1,224,500,307)	700,219,881
Total comprehensive income for the period								
- loss for the period	-	-	-	-	-	-	(293,545,116)	(293,545,116)
Other comprehensive income								
- Share of associates on unrealised gain on remeasurement of investments	-	-	-	-	1,557,373	-	-	1,557,373
- Unrealized gain on remeasurement of available for sale investments	-	-	-	-	-	1,220,994	-	1,220,994
Dividend on preference shares @ 4%	-	-	-	-	1,557,373	1,220,994	(293,545,116)	(290,766,749)
Balance at June 30, 2017	1,483,900,230	379,076,942	53,426,910	2,596,484	12,883,266	(4,385,277)	(1,518,045,423)	409,453,132
Total comprehensive income for the period								
- Profit for the period	-	-	-	-	-	-	127,557,901	127,557,901
Other comprehensive income								
- Share of associates on unrealised gain on remeasurement of investments	-	-	-	-	(9,822,760)	-	-	(9,822,760)
- Unrealized gain on remeasurement of available for sale investments	-	-	-	-	-	14,679,069	-	14,679,069
Dividend on preference shares @ 4%	-	-	-	-	(9,822,760)	14,679,069	127,557,901	132,414,210
Balance at December 31, 2017	1,483,900,230	379,076,942	53,426,910	2,596,484	3,060,506	10,293,792	(1,390,487,522)	541,867,342

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

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	<i>Six months ended December 31, 2017 Rupees</i>	<i>Six months ended December 31, 2016 Rupees</i>
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	94,655,264	9,379,587
Adjustments for:		
Depreciation	323,549	361,096
Amortization	50,392	50,025
Impairment on assets held for sale	10,592,960	-
Liabilities written back	(2,707,000)	-
Gain on sale of securities	(4,885,675)	(3,100,995)
Share of loss on investment in associates	(4,884,944)	(2,753,261)
Finance cost	-	5,483,370
Gain on sale of property and equipment	(175,150)	(5,350)
Provision/(Reversal) of provision for potential lease other loan losses - net	(45,494,641)	587,240
Exchange (gain)/ loss	-	393
Unrelaised loss / (gain) on remeasurement of held for trading securities	805,502	(6,188,097)
	(106,160,356)	(5,565,579)
	(14,212,092)	3,814,008
Changes in operating assets and liabilities (Increase) / decrease in operating assets		
Net investment in lease finance	4,304,360	4,011,361
Long-term finances	244,756	9,670,685
Placements and finances	3,060,000	3,637,955
Assets classified as held for sale	57,600,000	-
Deposits and prepayments	(3,739,735)	(3,614,816)
Mark up accrued	(17,800)	(14,825)
Other receivables	270,000	(5,582,500)
Loans and advances	(683,462)	3,790,510
	61,038,119	11,898,370
	46,826,027	15,712,378
Increase / (decrease) in operating liabilities		
Accrued and other liabilities	(3,329,635)	(5,127,970)
	(3,329,635)	(5,127,970)
Financial cost paid	-	(4,640)
Tax paid	(521,584)	(1,515,459)
Net cash generated from operating activities	42,974,807	9,064,309
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(90,000)	-
Proceeds from disposal of property and equipment	175,150	9,500
Long and Short-term investments made - net	36,855,551	15,504,558
Net cash generated from investing activities	36,940,700	15,514,058
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Short term Borrowings	-	(4,244,736)
Repayment of long-term loans	(57,600,000)	-
Net cash used in financing activities	(57,600,000)	(4,244,736)
Net increase in cash and cash equivalents	22,315,507	20,333,631
Foreign currency translation	-	(393)
Cash and cash equivalents at beginning of the period	4,084,279	6,101,941
Cash and cash equivalents at end of the period	26,399,786	26,435,179

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

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

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 repealed Companies Ordinance, 1984 and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated in 18th floor B.R.R Tower Hassan Ali Street off: I.I. Chundrigar Road, Karachi -74000 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 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 Honourable High Court of Sindh, Karachi. The Company is acting as trustees to Term Finance Certificates / Sukuk issued by Saudi Pak Leasing Company Limited, New Allied Electronics Industries (Private) Limited, Security Leasing Company Limited, Dewan Cement Limited, House Building Finance Company Limited, Bunny's Limited, and Pak Hy-Oils Limited. The value of assets under trustee as at December 31, 2017: Rs. 9.17 billion (as at June 30, 2017: Rs. 9.40 billion).
- 1.3** The Company earned a net profit of Rs. 127.56 million for the period ended Dec 31, 2017, its accumulated losses reached to Rs. 1390.49 million as at Dec 31, 2017 and its current liabilities exceed current assets by Rs 20.14 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 PSX 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. 541.87 million. Above factors indicate existence of uncertainties which may cast doubts on company's ability to continue as going concern and accordingly company may not be able to realize its assets & discharge its liabilities at stated amount but the company through innovative means has been able to settle various liabilities and also covering all expenditures. Similarly and going forward, the management of the company is confident that it will continue the mitigation plan, as explained in the following paragraphs, which will also ensure that the company continues as a going concern owing to these factors financial statements are prepared on going concern basis.

1.4 Mitigation plan

- The Company has successfully able to meet over many of its financial obligations through recoveries and settlements and has been able to settle majority of its liabilities and other commitments through its assets in last few years. It further plans to continue with the settlement of its remaining outstanding liabilities i.e. around Rs. 451.29 million.
- 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.
- 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.
- The Company is aggressively following-up with its non-performing portfolio for recovery of principal, mark-up and repossession of collateral assets. In this respect, the management has realigned its strategy accordingly.
- During the year period ended December 31, 2017 the Company made recoveries amounting Rs. 13.93 million which is below the expected recovery amount of Rs. 37.62 million. Major reason for the difference was slow litigation system in the country. The management is expecting to recover the amount either through auction of the collateralized assets or transfer of title of the collateralized asset through the Court order or out of court settlement.
- The Company expects recovery of approximately Rs. 100 to 130 million in the next three financial years.

1.5 Expected NBF sector reforms / regime

The requirement of minimum equity will be resolved soon by strong prospects of recovery and reversal of provision. It is pertinent to mention that as per new rules of NBF sector, 'SECP' has reduced minimum capital requirements to Rs. 100 million (for investment financial services and leasing licenses). Upon renewal of license, the company will be eligible to restart business operations. The management is confident that renewal of the license may assist in induction of foreign or local partner. Presently, the net equity & stands at Rs. 541.87 million which exceeding the MCR by Rs. 391.87 millions in case deferred tax asset or its portion is materialized.

1.6 Future prospects

During the period recovery of Rs. 5.901 million has been made against non-performing lease and advances portfolio and further recovery is also expected which will provide cash flow cushion within next two - three years. The management is confident that it will manage to continue writing back provisions as a result of expected recoveries which will result in better cash flows. Administrative expenses have been curtailed and departments have been restructured and rationalized / right sized to reduce the payroll cost and overhead expenses. The proposed reduction in financing cost through restructuring / settlements with the lenders will assist in further reducing the losses and improving the equity. This will make the Company attractive for equity participation / merger along with an opportunity for the existing shareholders to inject additional equity. The main sponsors 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 and take advantage of deferred tax by writing new lease facilities.

1.7 Cases under litigation**Funded exposure**

As at December 31, 2017, only two case is pending in the court of law. The financial institution has filed a recovery suit aggregated to Rs. 147.0 million in Honourable High Court.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
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Unfunded exposure

Total amount of letters of comfort / guarantees as at December 31, 2017 amounting to Rs. 1,088 million are under litigations. The legal counsel of the Company is confident that no funded claim will arise out of these guarantees due to non-completion of formalities prior to its issuance and some basic flaws in guarantee documentation and not meeting terms of the guarantees by the beneficiaries.

1.8 Credit rating

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

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

2. 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 repealed 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, 2017.
- 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 Pakistan Stock Exchanges and section 245 of the repealed Companies Ordinance, 1984. The figures for the six months period ended December 31, 2017 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, 2017.
- 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, 2017.

5. ACCOUNTING ESTIMATES AND JUDGMENT

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, 2017.

6. PROPERTY AND EQUIPMENT**6.1 Additions - at cost**

Vehicles	90,000	-
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6.2 Disposals - at written down value

Vehicles	-	4,150
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The above disposals represented vehicles costing Rs. 1.7515 million having nil WDV (June 30, 2017: Rs.0.0415 million) which were disposed off for Rs. 0.1709 million (June 30, 2017: Rs. 0.0095 million).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

		<i>December 31, 2017</i>	<i>June 30, 2017</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
7. NET INVESTMENT IN LEASE FINANCE			
Net investment in lease finance	7.1	508,915,822	513,220,182
Provision for lease losses	7.2	(404,925,041)	(418,783,376)
		103,990,781	94,436,806
Current and overdue portion of net investment in lease finance	7.3 & 11	(103,990,781)	(94,436,806)
		-	-

7.1 Particulars of net investment in lease finance

Minimum lease payments receivable	559,081,182	564,938,874
Residual value of leased assets	61,167,875	61,167,875
	620,249,057	626,106,749
Mark-up held in suspense	(111,333,235)	(112,886,567)
Net investment in lease finance	508,915,822	513,220,182

7.1.1 As at December 31, 2017, the principal outstanding against non-performing lease portfolio as per the criteria prescribed in NBFC Regulations, 2008 amounts to Rs. 437.17 million (June 30, 2017 : Rs.438.29 million). The forced sale value benefit considered against these non-performing lease portfolio amounting to Rs 28.7 million (June 30, 2017 : Rs 19.5 million).

7.1.2 The lease finances carry mark up ranging from 6 months KIBOR plus spread of 2% to 5% (June 30, 2017: 6 months KIBOR plus spread of 2% to 5%) per annum having maturity up to 5 years and are secured against leased assets.

		<i>December 31, 2017</i>	<i>June 30, 2017</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
7.2 Provision for lease losses			
Balance at beginning of the period / year		418,783,376	397,330,918
Charge / (reversal) during the period / year - net		(13,858,335)	21,452,458
Balance at end of the period / year		404,925,041	418,783,376

7.3 Current portion of lease finance

Maturing within one year	508,915,822	513,220,182
Provision for potential lease losses	(404,925,041)	(418,783,376)
	103,990,781	94,436,806

8. LONG TERM INVESTMENTS

Investment in:			
- associates - equity method	8.1 - 8.4	165,502,471	202,865,262
- Defence Saving Certificates- Held to maturity		332,675	315,564
		165,835,146	203,180,826

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	<i>Note</i>	<i>December 31, 2017 Rupees</i>	<i>June 30, 2017 Rupees</i>
8.1 Investment in associates			
Balance at beginning of the period / year		202,865,262	174,076,054
Share of profit		4,884,944	15,859,151
Disposal of investment		(3,444,573)	-
Transferred to short term investment held with nazir SHC		(28,980,402)	-
Share of reversal of deficit on revaluation of investments recognized in other comprehensive income		(9,822,760)	12,930,057
Balance at end of the period / year	8.4	<u>165,502,471</u>	<u>202,865,262</u>

8.2 The license of one of the company i.e. Dawood Capital Management Limited for carrying out assets management services has not been renewed.

8.3 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, 2017, the Company holds 41.63% shares of B.R.R. Investments (Private) Limited and 25.58% shares of Dawood Family Takaful Limited (although this percentage will be reduced to 16.96% since 6.446 million shares of DFTL will be given in settlement to HBFC and are presently held with Nazir of SHC). The management is in process of taking steps to reduce investments in these associates in order to comply with the requirements of NBFC Regulations.

8.4 This amount include investment in Dawood Family Takaful Limited which is based on unaudited financial statements as on September 30, 2017 due to the annual audit is in progress. Further associates also includes BRR Investments (Pvt) Ltd of which value is based on equity method applied for the half yearly December 31, 2017.

	<i>Note</i>	<i>December 31, 2017 Rupees</i>	<i>June 30, 2017 Rupees</i>
9. LONG-TERM FINANCES			
Term finance facilities	9.1 & 9.2	254,789,586	255,034,342
Provision for doubtful finances	9.3	(146,128,305)	(177,494,611)
		<u>108,661,281</u>	<u>77,539,731</u>
Current portion	11.	(108,661,281)	(77,539,731)
		<u>-</u>	<u>-</u>

9.1 The mark-up / profit rates on these facilities ranges from 13.5% to 15.1% (June 30, 2017: 13.5% to 15.1%) per annum subject to change in SBP discount rate and KIBOR. These are secured against mortgage of immovable properties.

9.2 As at December 31, 2017, long term finance of Rs. 226.50 million (June 30, 2017 : Rs. 245.21 million) which have been placed under non-performing status. The forced sales value benefits considered against these non-performing finances amounting to Rs. 80.38 million (June 30, 2017 Rs. 67.71 million).

		<i>December 31, 2017 Rupees</i>	<i>June 30, 2017 Rupees</i>
9.3 Particulars of provision for doubtful finances			
Balance at beginning of the period / year		177,494,611	158,643,283
charge during the period / year		12,617,694	46,712,828
Reversal for the year		(43,984,000)	(27,861,500)
Balance at end of the period / year		<u>146,128,305</u>	<u>177,494,611</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

10. DEFERRED TAX ASSET

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 the deferred tax amounting to Rs. 428.97 million will be realized in near future.

	<i>Note</i>	<i>December 31, 2017 Rupees</i>	<i>June 30, 2017 Rupees</i>
11. CURRENT AND OVERDUE PORTION OF NON-CURRENT ASSETS			
Net investment in lease finance	7.	103,990,781	94,436,806
Long-term finances	9.	108,661,281	77,539,731
		<u>212,652,062</u>	<u>171,976,537</u>

12. SHORT TERM INVESTMENTS

Available-for-sale- at cost

Term finance certificates / sukuk bonds		10,944,586	12,468,230
Unquoted shares	12.1	-	20,565,212
Preference shares	12.2	377,668	377,668
		<u>11,322,254</u>	<u>33,411,110</u>
Less: Provision for impairment in preference shares		<u>(377,668)</u>	<u>(377,668)</u>
		<u>10,944,586</u>	<u>33,033,442</u>

At fair value through profit or loss - held-for-trading

Quoted equity securities	12.3	17,217,561	21,599,644
Investment held with NCCPL		1,171,281	24,613,470
		<u>29,333,428</u>	<u>79,246,555</u>

12.1 These shares have been transferred to available for sale investment held with Nazir SHC details of which are provided in note 13.

12.2 These represent cumulative redeemable convertible preference shares carried dividend at the rate of 0% (June 30, 2017: 0%) per annum. These were matured on November 21, 2010. However, due to default in repayment at maturity dates, full provision has been made against these preference shares.

12.3 These include shares having a market value aggregating to Rs. 4.105 million (June 2017: Rs. 2.702 million) which have been pledged with National Clearing Company of Pakistan Limited in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

13 AVAILABLE FOR SALE INVESTMENTS HELD WITH NAZIR SHC

It includes 6,466,010 shares of Dawood Family Takaful Limited and 2,512,299 Burj Bank Limited (converted into 1,477,823 shares of Al-Baraka Pakistan Limited). These securities are held by Nazir of Honorable High court in pursuant to the litigation with HBFC since May 2011. However, as per the order of Honorable 'Supreme Court Pakistan' (SCP), HBFC was ordered to arrange for the release of those securities on a pro-rata basis i.e. on, receipt of periodical installments from FDIBL. As per the order of 'SCP'; FDIBL made two cash payments but, HBFC remained in default to the order and did not release any security owing to the fact that HBFC has taken cost of fund @ 14.33% as per SBP letter which is significantly higher than the market norms and same is verified in JCR-VIS calculation i.e. 4.70%. In view of the above, FDIBL was compelled to adjust securities held by the Nazir and paid balance amount in cash to settle the liability as per legal opinion sought. The liability was fully settled in March, 2017, but since HBFC has filed a fresh application with High court (and not 'SCP') and because the securities continues to remain with the Nazir. Therefore, FDIBL is showing these securities under a separate account head to show the realistic position of books of accounts.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	<i>Note</i>	<i>December 31, 2017 Rupees</i>	<i>June 30, 2017 Rupees</i>
14 PLACEMENTS AND FINANCES			
Placement and finance- unsecured	14.1	-	3,000,000
Financing against shares	14.2	155,185,306	155,185,306
Provision for doubtful finance	14.2.1	(155,185,306)	(155,185,306)
		-	-
Short-term finance - secured	14.3	11,300,000	11,300,000
Provision for doubtful finance		(11,300,000)	(11,300,000)
		-	-
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful finance		(5,000,000)	(5,000,000)
		-	-
Morabaha / musharika finances	14.4	87,554,717	87,614,717
Provision for doubtful finance		(48,589,304)	(48,589,304)
		38,965,413	39,025,413
		38,965,413	42,025,413

14.1 The said facility has been settled and payment in this regard has been made during the period.

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

	<i>December 31, 2017 Rupees</i>	<i>June 30, 2017 Rupees</i>
14.2.1 Movement in provision for doubtful financing against shares		
Balance at beginning of the period / year	155,185,306	155,823,260
Written off/ Reversal during the period / year	-	(637,954)
Balance at end of the period / year	155,185,306	155,185,306

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

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

14.5 As at December 31, 2017, an amount of Rs. 259.10 million (June 30, 2017: Rs 259.10 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. 38.96 million (June 30, 2017 : Rs. 39.03 million).

15. 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. Balance of Rs. 27.103 million represent Land for which Honourable Lahore High Court has ordered to transfer the ownership in name of company and buyer is also identified but sale is pending owing to peaceful transfer of possession for which buyer has written to the Company to take steps.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	<i>Note</i>	<i>December 31, 2017 Rupees</i>	<i>June 30, 2017 Rupees</i>
16. ADVANCE AGAINST LEASE COMMITMENTS			
Considered doubtful		35,696,247	35,696,247
Less: Provision for doubtful advances		<u>(35,696,247)</u>	<u>(35,696,247)</u>
		<u>-</u>	<u>-</u>
17. OTHER RECEIVABLES			
Considered good			
Cash held with Nazir SHC	17.1	6,000,000	6,000,000
Considered doubtful			
Decretal amount receivable	17.2	37,302,430	37,302,430
Receivable against lease termination		70,690,530	70,960,530
Receivable against KSE card transaction-net	17.3	45,515,114	45,515,114
Accounts receivables-others		5,295,096	5,295,096
Brokerage receivable		636,660	636,660
		<u>159,439,830</u>	<u>159,709,830</u>
Less : Provision for doubtful receivables	17.4	<u>(159,439,830)</u>	<u>(159,709,830)</u>
		<u>6,000,000</u>	<u>6,000,000</u>
17.1 This represents amount receivable from Nazir high court Sindh against TFCs of Gharibwal cement limited pledged with nazir SHC against a loan from HBFC. Gharibwal cement limited has confirmed to pay Rs.6,000,000 in respect of TFCs having book value of Rs, 5,550,000 by a letter dated October 13, 2015. Owing to the aforementioned factors company has derecognized investment & reversed provision on the TFCs accordingly the difference between the amount confirmed & book value has been transferred to profit & Loss.			
17.2 This relates to decree of recovery for Rs. 64.412 million which was awarded by the Banking Court under the Banking Companies (Recovery of Loans, Advances, Credits and Finance), Act of 1997. The Company has the possession of assets, the forced sale value of which is fairly higher than the carrying value. Further, the Company also holds additional security by way of equitable mortgage on factory land and building, the possession of which is in the Company's hands. A partial amount was received by the Bank and PICL on sale of machinery of Regent Dyeing. Sale of land and building has yet to be accomplished by FDIBL and PICL, which is under process. However, as a matter of prudence the Company has made provision in this regard.			
17.3 The Company had purchased Pakistan Stock Exchange Limited (PSX) membership card on behalf of one of its customer amounting to Rs.149.7 million. The customer paid an advance amounting Rs.104.2 million to the Company for this purchase which is netted off against this receivable. Currently the membership card is under litigation due to a case filed against the PSX member from whom that card was purchased. The Company has made provision against this receivable as a matter of prudence. As at June 30, there was no change in the status of case as it was fixed for hearing of application.			
17.4 Movement of provision is as under:			
	<i>Note</i>	<i>December 31, 2017 Rupees</i>	<i>June 30, 2017 Rupees</i>
Balance at beginning of the period / year		159,709,830	172,517,440
Charge / (reversal) during the period / year		<u>(270,000)</u>	<u>(12,807,610)</u>
Balance at end of the period / year		<u>159,439,830</u>	<u>159,709,830</u>
18. LONG TERM LOANS			
Secured			
Commercial Banks	18.1 & 18.2	369,213,673	426,813,673
Current and overdue portion	19.	<u>(301,073,673)</u>	<u>(301,073,673)</u>
		<u>68,140,000</u>	<u>125,740,000</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

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- 18.1 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% (2016: 0% to 5%) per annum payable on quarterly / half yearly basis.
- 18.2 During the year loan from UBL bank amounting to Rs. 57.6m has been swapped against the properties classified as Asset held for sale having net book value of Rs. 68.193m situated at business avenue constructed on plot number 26-A, Shakra-e-Faisal Karachi.

	Note	December 31, 2017 Rupees	June 30, 2017 Rupees
19. CURRENT AND OVERDUE PORTION OF LONG TERM LIABILITIES			
Long term loans	18.1 & 18.2	301,073,673	301,073,673
Long term deposits		60,917,863	60,917,863
		<u>361,991,536</u>	<u>361,991,536</u>
20. SHORT TERM BORROWINGS - IN LITIGATION			
Unsecured			
Development Financial Institution		<u>56,266,346</u>	<u>56,266,346</u>

- 20.1 Since the pro-rata release of securities explained in note 13, therefore the company was compelled to adjust the cash & securities held by the Nazir of High court to repay the remaining monthly installments, after the first two installments, which were promptly paid in cash along with markup at rate determined by JCR-VIS credit rating agency i.e. 4.70%. The management is of the opinion that repayments were appropriately made by the company under the situation and that HBFC would not have any additional claim, once the 12-month period awarded by Honorable Supreme Court of Pakistan comes to an end and the repayments, whether in cash or in form of securities (to be released by nazir SHC) are timely made by the company.
- 20.2 As mentioned in Note No. 13 that FDIBL has settled this liability against cash and 'securities held in this case' with Nazir of High Court in March 2017. However, since HBFC has re-approached High Court (as it is in default to the order of SCP, therefore did not approach 'SCP'). Hence, FDIBL is showing this liability under a new accounting head. The appointed legal counsel has given satisfactory opinion on the above.
- 20.3 As per the order of 'Supreme Court of Pakistan' on HBFC; FDIBL was to pay 'cost of fund only' and not costs of funds inclusive of; (i) Administrative and (ii) Provisioning cost complied by State Bank Of Pakistan @ 14.33% (because 'Administrative Cost' relates to salaries, perks, allowances, over-staffing i.e. inclusive of various luxuries etc. paid to staff at HBFC and it is not justified for 'FDIBL' to share burden of this extravagant expenses. Similarly, 'Provisioning Cost' is an expense which HBFC is paying due to negligence, lack of experience & competency of its staff and it is not fair to transfer this sort of cost to FDIBL) which was contrary to the order of SCP. In view of SCP's order regarding (only) 'cost of fund' and also in light of the facts shared above that FDIBL considered 'cost of fund', which was calculated by an independent party (i.e. credit rating agency) and which can also be verified from audited financial accounts of HBFC. Therefore the earlier additional accrued mark-up of Rs. 62.49 million pertaining to HBFC has been reversed, as the aforesaid mark-up liability is no longer payable, since the liability has been settled in light of SCP's order. The appointed legal Counsel has given satisfactory opinion on the above.

		December 31, 2017 Rupees	June 30, 2017 Rupees
21. CONTINGENCIES AND COMMITMENTS			
21.1	Letters of comfort / guarantees	<u>1,088,000,000</u>	<u>1,088,000,000</u>

The guarantees worth Rs. 1,088 million (June 30, 2017: Rs. 1,088 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:

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.

- 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
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- 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** Objections filed by the Company against the claim of Rs. 32.87 million by Pak Kuwait Investment Company Limited-PKICL are pending for adjudication before the Honourable Court.
- 21.4** Suit with the Bank Alfalah Limited - BAFL is pending for property for which title documents have been transferred by the company and require the BAFL to coordinate directly with the title owner.
- 21.5** Various other cases which are at hearing stage are also pending for which outcome could not be determined.

22. REVERSAL OF PROVISION FOR LEASE LOSSES AND DOUBTFUL RECOVERIES - NET

	<i>Note</i>	<i>2017 Rupees</i>	<i>2017 Rupees</i>
Net investment in lease finance	7.2	13,858,335	(21,452,458)
Long term finances	9.3	31,366,306	(18,851,328)
Placement and finances	13.1.1	-	31,757,954
Accrued markup		-	442,507
Loans and advances		-	3,000,920
Other receivable	17.4	270,000	10,670,000
		45,494,641	(5,567,595)

23. TAXATION

Current year	23.1	(14,856,740)	(879,617)
Deferred tax		47,759,377	(298,487,672)
Prior Year		-	3,006,499
		32,902,637	(296,360,790)

23.1 The current tax represents the Alternate corporate tax for the period under section 113C 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, 2017</i>		<i>June 30, 2017</i>	
<i>Key management personnel /</i>	<i>Associates/ related parties</i>	<i>Key management personnel /</i>	<i>Associates/ related parties</i>
----- Rupees -----			

Investment in associate

Balance at beginning of the period / year	-	202,865,262	-	174,076,054
Share of (loss) / profit from associate comprehensive income	-	4,884,944	-	15,859,151
	-	(9,822,760)	-	12,930,057
Balance at end of the period / year	-	197,927,446	-	202,865,262

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
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Long term finances / loans / short term investment

Term finance certificates/ sukuk bond	-	10,944,586	-	12,468,230
	-	10,944,586	-	12,468,230

December 31, 2017

June 30, 2017

<i>Key management personnel /</i>	<i>Associates/ related parties</i>	<i>Key management personnel /</i>	<i>Associates/ related parties</i>
----- Rupees -----			

Settlement transactions

Common expenses paid	-	(141,710)	-	204,755
Share of (loss) / profit from associate	-	4,884,944	-	15,859,151
Rental income	-	271,500	-	1,086,000
Rental expense	-	(409,200)	-	818,400
Takaful expense	-	-	-	68,813
	-	4,605,534	-	18,037,119

25. SEGMENT ANALYSIS

Segment information for the six months period ended December 31, 2017 is as follows: -

	<i>Leasing</i>	<i>Investments</i>	<i>Long term finances</i>	<i>Placements & finances</i>	<i>Fee, commission & other income</i>	<i>Total</i>
	----- Rupees -----					
External operating revenue	1,553,332	6,348,154	44,819	-	1,015,150	<u>8,961,455</u>
Segment results	22,110,223	90,360,014	637,956	-	14,449,908	<u>127,557,901</u>
Segment assets	103,990,781	259,393,257	108,661,281	38,965,413	-	511,010,732
Unallocated assets	-	-	-	-	-	561,671,527
Total assets	157,141,977	240,020,185	100,545,793	36,055,238	-	<u>1,075,630,535</u>
Segment liabilities	157,141,977	240,020,185	100,545,793	36,055,238	-	<u>533,763,193</u>

Segment information for the six months period ended December 31, 2016 is as follows: -

	<i>Leasing</i>	<i>Investments</i>	<i>Long term finances</i>	<i>Placements & finances</i>	<i>Fee, Commission & other income</i>	<i>Total</i>
	----- Rupees -----					
External operating revenue	1,274,177	14,490,015	1,606,970	-	1,874,847	<u>19,246,009</u>
Segment results	589,627	6,705,270	743,627	-	867,588	<u>8,906,112</u>
Segment assets	111,631,598	271,667,838	97,250,216	10,915,413	-	491,465,065
Unallocated assets	-	-	-	-	-	872,931,088
Total assets	111,631,598	271,667,838	97,250,216	10,915,413	-	<u>1,364,396,152</u>
Segment liabilities	197,956,864	333,453,551	119,367,938	13,397,917	-	<u>664,176,271</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

26. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 26, 2018 by the Board of Directors of the Company.

27. GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive Officer

Chief Financial Officer

Director

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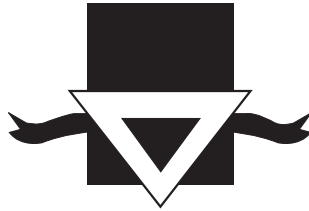
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