

**FIRST DAWOOD INVESTMENT  
BANK LIMITED**

**Quarter Report**  
**30 September 2019**





FIRST DAWOOD INVESTMENT BANK LIMITED

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## CORPORATE INFORMATION

<b>Board of Directors</b>	Mr. Christopher John Aitken Andrew Mr. Rafique Dawood  Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair Mr. Abu Khursheed M. Ariff Mr. Syed Iqbal Hussain Rizvi Mrs. Farhat Ali	Chairman Director & CEO (Nominee B.R.R. Investments (Pvt) Ltd.) Director Director Director Director (Nominee B.R.R. Investments (Pvt) Ltd.) Director (SECP Approval Awaited)
<b>Audit Committee</b>	Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair Mr. Abu Khursheed M. Ariff	Chairman Member Member
<b>HR&amp;R Committee</b>	Mr. Khurshid A. Khair Mr. Asad Hussain Bokhari Mr. Abu Khursheed M. Ariff	Chairman Member Member
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Syed Musharaf Ali	
<b>Auditors</b>	Aamir Salman Rizwan Chartered Accountants	
<b>Head of Internal Auditor</b>	Mr. Sohail Ahmed	
<b>Legal Advisor</b>	Nishtar & Zafar	
<b>Legal counsels</b>	A.Q. Abbasi & Associates Ansari AG Legal Kabiraji & Talibuddin Khalil Asif Ejaz & Co.	
<b>Bankers</b>	Al-Baraka Islamic Bank Ltd. Bank Al-Habib Ltd. Habib Metropolitan Bank Ltd. MCB Bank Ltd.	
<b>Registered Office Head Office</b>	19 <sup>th</sup> Floor, Tower-B, Saima Trade Tower, I. I. Chundrigar Road, Karachi-74000 PABX: +92 (21) 32270182 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	

## 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 September 30, 2019.

Your company during the first quarter of the financial year 2019-20 has reported after-tax profit of Rs.0.396 million as compared to profit of Rs.0.987 million during corresponding period last year. The higher profit in corresponding last year is due to reversal of liability no longer payable. However, the net worth of your company has increased from Rs. 497.566 million to Rs. 497.973 million. Despite high inflationary trend, the management has kept a tight cost control, the administrative expenses significantly decreased from Rs.8.04 million to Rs.5.29 million for the period under review in comparison to the corresponding period last year.

The Board of Directors are also pleased to record their appreciation of the valuable and untiring efforts and services rendered by the staff of the company.

October 28, 2019  
Karachi.

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## ڈائریکٹرز کی رپورٹ:

تمام ڈائریکٹرز 30 ستمبر 2019ء کی پہلی سہ ماہی غیر اڈٹ شدہ مالیاتی گوشوارے کے ساتھ رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔ ادارے نے پہلی سہ ماہی 30 ستمبر 2019ء کے مالیاتی گوشوارے منافع بعد ٹیکس 0.396 ملین روپے اور پچھلے مالیاتی سال کے پہلی سہ ماہی کا منافع 0.987 ملین روپے منافع میں ہے۔ آپ کی کمپنی کی مالیت میں اضافہ 497.56 ملین سے 497.96 ملین ہوئی 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 مالی اخراجات میں پچھلے سال کے مثبت واضح کمی ہوئی ہے جو 8.04 ملین روپے سے 5.29 ملین روپے ہے۔ 30 ستمبر 2019ء کو منافع فی شیئر 0.03 روپے ہے بینک 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 آگے کی طرف بڑھے گی اور قرضہ جات کی وصولی کے ذریعے اپنی مالیاتی حیثیت کو بہتر کرے گا۔

نئے NBFC's رولز کے تحت ریگولیٹر سے منظور شدہ ہیں اور ان نئے رولز 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۔

بورڈ آف ڈائریکٹرز کی طرف سے

تاریخ: October 28, 2019  
کراچی

ڈائریکٹر

ڈائریکٹر

**CONDENSED INTERIM FINANCIAL POSITION**  
AS AT SEPTEMBER 30, 2019

	<i>Note</i>	<i>Unaudited SEPTEMBER 30, 2019 Rupees</i>	<i>Audited JUNE 30, 2019 Rupees</i>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	6	3,349,359	222,223
Intangible Asset		758,282	783,478
Investment properties		60,810,000	60,810,000
Net investment in lease finance	7	12,898,515	12,898,515
Long-term investments	8	144,413,642	143,913,643
Long-term finances	9	-	-
Long-term deposits		-	-
Deferred tax asset	10	389,351,187	389,351,187
		<u>611,580,985</u>	<u>607,979,046</u>
<b>CURRENT ASSETS</b>			
Current portion of non-current assets	11	227,516,179	225,738,619
Short-term investments	12	642,615	757,328
Available for Sale investment held with Nazir SHC	8.2	44,539,693	44,539,693
Placements and finances	13	38,852,488	39,025,413
Loans , advances and prepayments		1,825,685	2,224,327
Mark-up accrued		7,001	16,365
Other receivables		849,995	1,017,191
Cash and bank balances		63,307,055	74,342,978
		<u>377,540,711</u>	<u>387,661,914</u>
		<u>989,121,696</u>	<u>995,640,960</u>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares		1,483,900,230	1,483,900,230
Reserves		455,841,607	455,841,607
Accumulated loss		<u>(1,434,683,938)</u>	<u>(1,435,080,343)</u>
		505,057,899	504,661,494
Surplus / (Deficit) on revaluation of investments		<u>(7,094,954)</u>	<u>(7,094,954)</u>
		497,962,944	497,566,540
<b>NON CURRENT LIABILITIES</b>			
Long-term loans	14	95,054,223	95,054,223
Long term deposits	15	10,000,000	10,000,000
		105,054,223	105,054,223
<b>CURRENT LIABILITIES</b>			
Current portion of long-term liabilities	15	298,437,315	304,737,313
Mark-up accrued		25,756,644	25,756,644
Short term borrowings	15.2	50,266,346	50,266,346
Accrued and other liabilities		4,353,183	4,979,770
Taxation		7,291,041	7,280,124
		386,104,529	393,020,197
<b>CONTINGENCIES AND COMMITMENTS</b>			
	16	<u>989,121,696</u>	<u>995,640,960</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements

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

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

\_\_\_\_\_  
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

		<i>Quarter Ended</i>	
		<i>September 30,</i>	
		<i>2019</i>	<i>2018</i>
<b>Note</b>	<i>-----Rupees-----</i>		
<b>INCOME</b>			
Lease income	131,000	485,170	
Return on deposits and investments	925,444	507,147	
Gain on sale of securities	161,268	1,621,285	
Income from long-term finances	35,200	28,228	
Other income	50,000	52,023	
	1,302,912	2,693,853	
<b>PROVISION / CHANGES IN FAIR VALUE</b>			
(Provision) / reversal for lease losses and doubtful recoveries	4,395,421	7,508,836	
Deficit / Surplus on remeasurement of held for trading securities	-	(1,167,979)	
	4,395,421	6,340,857	
	5,698,333	9,034,710	
<b>EXPENDITURES</b>			
Administrative expenses	(5,291,012)	(8,037,050)	
	(5,291,012)	(8,037,050)	
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	407,321	997,660	
TAXATION	10.1 (10,916)	(10,205)	
<b>Current Taxation</b>	(10,916)	(10,205)	
<b>PROFIT/ (LOSS) AFTER TAXATION</b>	396,405	987,455	
Earning per share - basic	0.003	0.01	
Earning per share - diluted	0.003	0.01	

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements

\_\_\_\_\_  
*Chief Executive Officer*

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

\_\_\_\_\_  
*Director*



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

	<i>Quarter Ended September 30,</i>	
	<i>2019</i>	<i>2018</i>
	<i>Rupees</i>	
(Loss) / profit after taxation	396,405	987,455
Other comprehensive income		
Unrealised gain / (Deficit) on remeasurement of investments classified as available-for-sale	-	(1,167,979)
	-	(1,167,979)
Total comprehensive (loss) / income for the period	396,405	(180,524)

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements

\_\_\_\_\_  
*Chief Executive Officer*

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

\_\_\_\_\_  
*Director*

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

	Share Capital		Capital Reserve			Revenue Reserve		Total
	Ordinary Shares	Preference Shares	Statutory Reserve	Premium on Right Issue	Capital Reserve on Acquisition	Deficit on Revaluation of Investments	Accumulated Losses	
Balance at July 1, 2018	1,483,900,230	-	399,402,107	53,426,910	2,596,484	(4,601,740)	(1,436,744,765)	497,979,226
Total comprehensive income for the period								
- Profit for the period	-	-	-	-	-	-	2,080,528	2,080,528
- Other comprehensive income	-	-	-	-	-	-	-	-
Share of Unrealised gain on remeasurement of associates investment	-	-	-	-	-	(1,734,306)	-	(1,734,306)
Reclassification of gain to profit and loss account	-	-	-	-	-	-	-	-
Deferred Tax-OCI	-	-	-	-	-	-	-	-
Transfer to Statutory Reserve	-	-	416,106	-	-	(758,908)	(416,106)	(758,908)
Balance as at June 30, 2019	1,483,900,230	-	399,818,213	53,426,910	2,596,484	(7,094,954)	(1,435,080,343)	497,566,540
Balance at July 1, 2019	1,483,900,230	-	399,818,213	53,426,910	2,596,484	(7,094,954)	(1,435,080,343)	497,566,540
Total comprehensive income for the period								
- Profit for the period	-	-	-	-	-	-	396,405	396,405
- Other comprehensive income	-	-	-	-	-	-	-	-
Share of Unrealised gain on remeasurement of associates investment	-	-	-	-	-	-	-	-
Transfer to Statutory Reserve	-	-	-	-	-	-	-	-
Balance as at September 30, 2019	1,483,900,230	-	399,818,213	53,426,910	2,596,484	(7,094,954)	(1,434,683,938)	497,962,944

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements

\_\_\_\_\_  
*Chief Executive Officer*

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

\_\_\_\_\_  
*Director*

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

	<i>Quarter Ended</i> <i>September 30,</i>	
	<b>2019</b> <i>Rupees</i>	<b>2018</b> <i>Rupees</i>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	407,321	997,660
Adjustments:		
Depreciation	125,862	55,922
Finance Income	(35,200)	-
Lease Income	(131,000)	-
Gain on sale of investments	(161,268)	(1,621,285)
Amortization	25,196	25,196
Provision / (reversal of provision potential lease)	(4,395,421)	(7,508,836)
Deficit / Surplus on remeasurement of held for trading securities	-	1,167,979
Other income	(50,000)	(52,023)
	<u>(4,621,831)</u>	<u>(7,933,047)</u>
<b>Changes in operating assets and liabilities</b>	<b>(4,214,510)</b>	<b>(6,935,387)</b>
<i>(Increase) / decrease in operating assets</i>		
Net investment in lease finance	1,946,805	2,593,019
Long-term finances	865,629	155,000
Placements and finances	172,925	-
Advances and prepayments	398,642	(14,636,466)
Mark up accrued	9,364	(7,904)
	<u>3,393,365</u>	<u>(11,896,351)</u>
<i>Increase / (decrease) in operating liabilities</i>	<u>(821,145)</u>	<u>(18,831,738)</u>
Short term borrowings	-	-
Accrued and other liabilities	(626,587)	(1,021,103)
	<u>(626,587)</u>	<u>(1,021,103)</u>
Tax paid	-	(53,755)
Net cash (used)/generated from operating activities	<u>(1,447,732)</u>	<u>(19,906,596)</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,127,136)	-
Long-term investments	(499,999)	-
Long-term deposits	-	2,500,000
Short-term investments	338,942	4,118,630
Net cash (used)/generated from investing activities	<u>(3,288,193)</u>	<u>6,618,630</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Short Term Borrowings	(6,299,998)	-
Net cash (used in) from financing activities	<u>(6,299,998)</u>	<u>-</u>
Net increase / ( decrease) in cash and cash equivalents	(11,035,923)	(13,287,966)
Cash and cash equivalents at beginning of the period	74,342,978	90,515,101
Cash and cash equivalents at end of the period	<u>63,307,055</u>	<u>77,227,135</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements

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

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

\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

**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 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 Company has filed an appeal in SECP Appellate Bench for renewal of License.
- 1.2** The Company had applied for registration as a Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 which was denied by SECP vide its order dated November 22, 2013 against which an appeal has been filed before appellate bench of SECP on December 17, 2013. The appeal is pending. The Company is acting as trustees to Term Finance Certificates / Sukuk issued by Saudi Pak Leasing Company Limited, New Allied Electronics Industries (Private) Limited, Security Leasing Company Limited, Dewan Cement Limited, House Building Finance Company Limited (sukuk issue), Bunny's Limited and Pak Hy-Oils Limited. The value of assets under trustee as at September 30, 2019 amounted to Rs. 9.04 billion (June 30, 2019: Rs. 9.04 billion).

**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 Act, 2017 (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, 2019.
- 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 Exchange and section 245 of The Companies Act, 2017.

**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, 2019. "
- 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, 2019.

**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, 2019.

	<i>Note</i>	<i>September 30, 2019 Rupees</i>	<i>June 30, 2019 Rupees</i>
<b>6. PROPERTY, EQUIPMENT AND INTANGIBLE</b>			
Furniture & fixtures		21,504	25,785
Equipment and appliances		44,694	49,291
Vehicles		3,283,161	147,147
Intangible asset		758,282	783,478
		<u>4,107,641</u>	<u>1,005,701</u>
		-	-
<b>6.1 Disposal of assets - at 10% of cost</b>			
Vehicles		216,200	-
		<u>216,200</u>	-
<b>7. NET INVESTMENT IN LEASE FINANCE</b>			
Net investment in lease finance	7.1	498,231,561	500,178,366
Provision for potential lease losses		(384,002,009)	(384,002,009)
		114,229,552	116,176,357
Current portion		(101,331,037)	(103,277,842)
		<u>12,898,515</u>	<u>12,898,515</u>

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2019

		September 30, 2019	June 30, 2019
		Rupees	Rupees
<b>7.1 Particulars of net investment in lease finance</b>			
Minimum lease payments receivable		545,312,492	547,259,297
Residual value of leased assets		<u>61,167,875</u>	<u>61,167,875</u>
		606,480,367	608,427,172
Unearned finance income		-	-
Markup held in Suspense		<u>(108,248,806)</u>	<u>(108,248,806)</u>
Net investment in lease finance		<u>498,231,561</u>	<u>500,178,366</u>
<b>7.1.1</b> The lease finances carry mark up ranging from 6M KIBOR plus spread of 2% to 5% (September 30, 2019): 6M KIBOR plus spread of 2% to 5%) per annum having maturity up to 5 years and are secured against leased assets.			
		September 30, 2019	June 30, 2019
		Rupees	Rupees
<b>7.2 Provision for potential lease losses</b>	<b>Note</b>		
Opening balance		384,002,009	381,074,829
(Reversal) / charge for the period - net		-	2,927,180
Written off during the period		-	-
Closing balance		<u>384,002,009</u>	<u>384,002,009</u>
<b>7.3 Current portion of lease finance</b>			
Maturing within one year		498,231,561	513,220,182
Provision for potential lease losses		<u>(384,002,009)</u>	<u>(418,783,376)</u>
More Than One Year & Less Than Five Years		<u>12,898,515</u>	<u>12,898,515</u>
		<u>127,128,067</u>	<u>94,436,806</u>
<b>8. LONG TERM INVESTMENTS</b>			
Investment in associates	8.1	143,525,922	151,564,495
Saving Certificates		<u>887,720</u>	<u>349,786</u>
		<u>144,413,642</u>	<u>151,914,281</u>
<b>8.1 Investment in associates</b>			
Opening balance		143,525,923	151,564,495
Share of reversal of deficit on revaluation of investments recognised in other income		-	-
Share of (loss) / gain		-	(4,142,352)
Disposal of Investment		-	-
Share of reversal of deficit on revaluation of investments at FVOCI recognised in other comprehensive income		-	(3,896,220)
		<u>143,525,923</u>	<u>143,525,923</u>
<b>8.2 Investment held with Nazir SHC at FVOCI</b>			
		2019	2018
Number of Shares			
6,466,010	6,466,010		
		Dawood Family Takaful	33,031,109
		31,070,457	
1,477,823	1,477,823	Al Baraka Bank Pakistan Limited	11,508,584
		42,377,778	<u>44,539,693</u>
Remeasurement gain/ (loss) on investment of ABPL		-	201,263
Share of gain/(loss) on investment of ABPL		-	1,960,652
		<u>44,539,693</u>	<u>44,539,693</u>

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2019

		September 30, 2019 Rupees	June 30, 2019 Rupees
<b>9. LONG-TERM FINANCES</b>	<b>Note</b>		
Term finance facilities		253,639,511	254,505,140
Provision for doubtful finances		(127,454,369)	(162,879,805)
		126,185,142	91,625,335
Current portion	11	<u>(126,185,142)</u>	<u>(91,625,335)</u>
		-	-
<b>9.1 Particulars of provision for doubtful finances</b>			
Opening balance		162,879,805	177,494,611
(Reversal) / charge for the period - net		(35,425,436)	(44,154,000)
Provision during the period		-	29,539,194
Closing balance		<u>127,454,369</u>	<u>162,879,805</u>
<b>10. DEFERRED TAX ASSET</b>			
Deferred tax asset is recognized in respect of carry forward assessed tax losses/deductible temporary differences to the extent it is probable that there will be future taxable profits against which these losses/deductible temporary differences can be utilized. The Company has prepared a five year business plan which has been approved by the Board of Directors. The said plan involves certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. The determination of future taxable profit is directly related and sensitive to certain key assumptions such as recoveries of outstanding lease and long term finances, resumption of licenses, expected return on investments and bank balances etc. Any change in the key assumptions may have an effect on the realizability of the deferred tax asset. The Board and management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and deferred tax amounting to Rs. 389.351 million will be realised in the future.			
	<b>Notes</b>	September 30, 2019 Rupees	June 30, 2019 Rupees
<b>10.1 TAXATION</b>			
Current Year		(10,916)	(2,573,758)
Deferred Tax		-	(7,228,477)
Prior Year		-	-
		<u>(10,916)</u>	<u>(9,802,235)</u>
<b>11. CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Net investment in lease finance	7	101,331,037	103,277,842
Long-term finances		126,185,142	122,460,777
Long-term loans		-	-
		<u>227,516,179</u>	<u>225,738,619</u>
<b>12. SHORT TERM INVESTMENTS</b>			
<b>Held-for-trading</b>			
Listed ordinary shares		1,020,283	17,569,141
<b>Available-for-sale</b>			
Term finance certificates / sukuk bonds		-	1,771,862
Unquoted securities		11,508,584	25,328,157
		<u>11,508,584</u>	<u>27,100,019</u>
Less: provision for impairment in preference shares		(377,668)	(377,668)
Held with Nazir of SHC against HBFC Case		<u>(11,508,584)</u>	<u>(24,950,489)</u>
		<u>642,615</u>	<u>19,341,003</u>

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2019

	<i>Note</i>	<i>September 30, 2019 Rupees</i>	<i>June 30, 2019 Rupees</i>
<b>13. PLACEMENTS AND FINANCES</b>			
Financing against shares		155,159,305	155,185,305
Provision for doubtful finances		(155,159,305)	(155,185,305)
		-	-
Short-term finance - secured		11,300,000	11,300,000
Provision for doubtful finances		(11,300,000)	(11,300,000)
		-	-
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful finances		(5,000,000)	(5,000,000)
		-	-
Morabaha / musharika finances		86,684,717	86,684,717
Provision for doubtful finances		(47,832,229)	(47,659,304)
		38,852,488	39,025,413
		<u>38,852,488</u>	<u>39,025,413</u>
<b>14 LONG TERM LOANS</b>			
<i>Secured</i>			
Commercial Banks	15	342,573,673	348,873,673
		342,573,673	348,873,673
Current portion		(247,519,450)	(253,819,450)
		<u>95,054,223</u>	<u>95,054,223</u>
<b>15 CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Long term loans	14	247,519,450	253,819,450
Lease deposits		50,917,865	50,917,863
		<u>298,437,315</u>	<u>304,737,313</u>
<b>15.1</b> The markup has been reversed based on legal opinion sought and no markup is shown in the external confirmation circulated by the external auditor.			
<b>15.2 SHORT TERM BORROWINGS</b>			
<i>Unsecured</i>			
Call borrowing - commercial bank		-	-
Development Financial Institution		50,266,346	56,266,346
		<u>50,266,346</u>	<u>56,266,346</u>

**15.3** 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

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(to be released by nazir SHC) are timely made by the company. Thus to create an unnecessary dispute, the DFI has filed execution in the High court, FDIBL filed an appeal in the High Court against Order. JCR-VIS is an acceptable and justified rate, because it can be verified / recalculated from books of account of HBFC as well. The sum as per aforesaid calculation i.e. as per JCR continues to reflect as accrued liability in the company's account. The company has also filed a petition in the Honorable High Court of Sindh against State Bank of Pakistan for determining cost of fund @ 34.64% which is much higher than the current base interest rate.

	<i>Note</i>	<i>September 30, 2019 Rupees</i>	<i>June 30, 2019 Rupees</i>
<b>16 CONTINGENCIES AND COMMITMENTS</b>			

**16.1 Contingent liabilities**

Letters of comfort / guarantee	<u>1,088,000,000</u>	<u>1,088,000,000</u>
--------------------------------	----------------------	----------------------

The guarantees worth Rs. 1,088 million (June 30, 2018: 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:

- 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 restructured/settled. The beneficiary has filed a recovery case and winding up petition against the Company. According to the Company's legal advisors, the Company has good merits to defend both recovery case and winding up petition because the lender can not claim same amount from two parties.
- ii. 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 because the facility status was changed to term loan and also that the recovery Suit against Principal debtor is also pending.
- 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. 250 million against the repayment of sukuk was called as the principal debtor defaulted in payment of installments of the said sukuk. The Trustee of the sukuk has filed a recovery suit against the Company in the SHC, which is pending adjudication. Based on opinion of the legal advisors of the Company, the Company has good merits to defend the case as in its view the guarantee never became operational on technical grounds of non-fulfilment of pre-conditions.

**17 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 transactions with related parties and balances with them as at period / year-end are as follows: -



**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

Details of transactions with related parties and balances with them as at period / year-end are as follows: -

	September 30, 2019		June 30, 2019	
	Key Management Personnel	Associates/ Related Parties	Key Management Personnel	Associates/ Related Parties
	----- Rupees -----			
<b>Investment in associate</b>				
Balance at beginning of the period / year	-	168,412,686	-	181,857,927
Share of Loss from Associate	-	-	-	(4,142,352)
Disposal of Investment in DFTL	-	-	-	-
Investment in Dawood Income Fund	-	-	-	300,000,000
Disposal of Investment in Dawood Income Fund	-	-	-	(307,367,320)
Share of reversal of deficit on revaluation of investments classified in other comprehensive income	-	-	-	-
	-	-	-	(1,935,569)
Balance at end of the period / year	-	168,412,686	-	168,412,686
<b>Long term finances / loans</b>				
Short term Loan	1,419,897	-	965,250	-
Unearned rent	-	-	-	-
Long term finance	-	-	-	-
Term Finance Certificates / Sukuk bonds	-	-	-	-
Disposal of Fixed Asset Cost	-	-	-	-
	1,419,897	-	965,250	-
<b>Charge to profit and loss account</b>				
Common expenses paid	-	52,789	-	225,308
Share of (loss) / profit from associate	-	-	-	(4,142,352)
Share of common expenses received	-	-	-	-
Rental income	-	-	-	-
Rental expense	-	205,200	-	818,400
Takaful expense	-	26,618	-	78,439
	-	284,607	-	(3,020,205)

**18 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on October 28, 2019 by the Board of Directors of the Company.

**19 GENERAL**

Figures have been rounded off to the nearest Rupee.

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

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

\_\_\_\_\_  
Director

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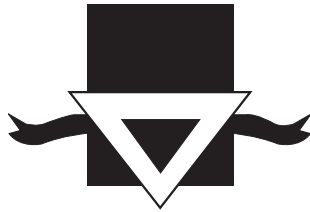
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