

PRESENT



FIRST DAWOOD INVESTMENT BANK LIMITED

ANNUAL REPORT 2019

PAST



FUTURE





FIRST DAWOOD INVESTMENT BANK LIMITED

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FIRST DAWOOD INVESTMENT BANK LIMITED

CORPORATE INFORMATION

Board of Directors	Mr. Christopher John Aitken Andrew Mr. Rafique Dawood Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair Mr. Abu Khursheed M. Ariff Mr. Syed Iqbal Hussain Rizvi Mr. Muhammad Saeed	Chairman Director & CEO (Nominee B.R.R. Investments (Pvt) Ltd.) Director Director Director Director (Nominee B.R.R. Investments (Pvt) Ltd.) Director
Audit Committee	Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair Mr. Abu Khursheed M. Ariff	Chairman Member Member
HR&R Committee	Mr. Khurshid A. Khair Mr. Asad Hussain Bokhari Mr. Abu Khursheed M. Ariff	Chairman Member Member
Chief Financial Officer & Company Secretary	Mr. Syed Musharaf Ali	
Auditors	Reanda Haroon Zakaria & Company Chartered Accountants	
Head of Internal Audit	Mr. Sohail Ahmed	
Legal Advisor	Nishtar & Zafar	
Legal counsels	A.Q. Abbasi & Associates Ansari AG Legal Kabirji & Talibuddin Khalil Asif Ejaz & Co.	
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 Fax : +92 (21) 3227-1912 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	



FIRST DAWOOD INVESTMENT BANK LIMITED

VISION AND MISSION STATEMENT/ CORPORATE STRATEGY

VISION STATEMENT

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

MISSION STATEMENT

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

CORPORATE STRATEGY

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



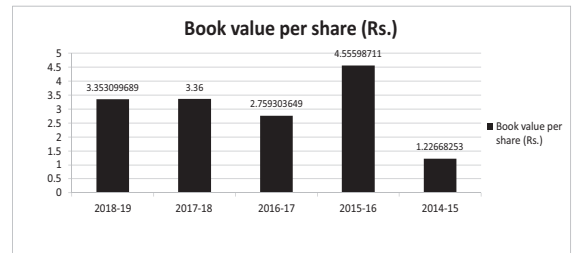
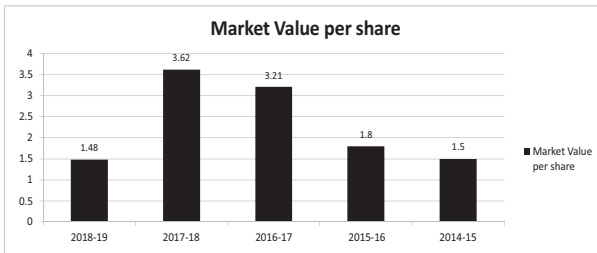
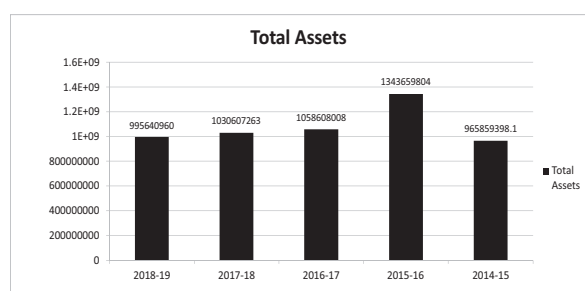
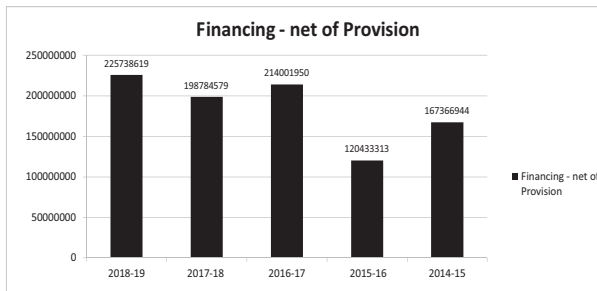
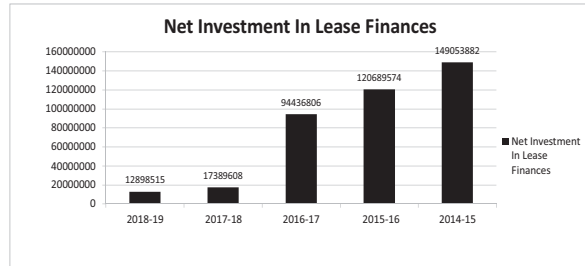
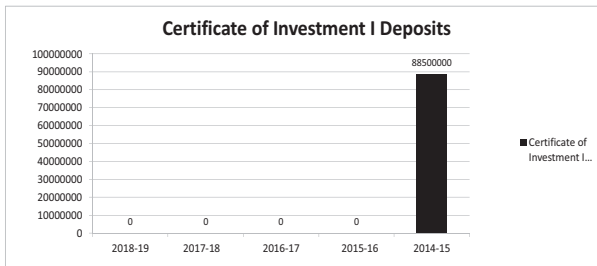
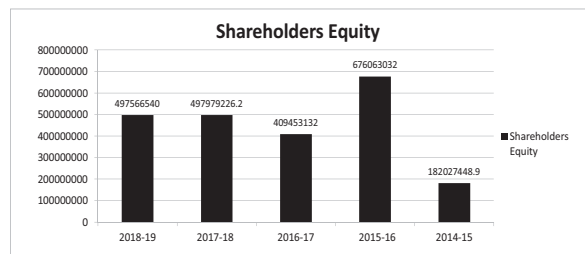
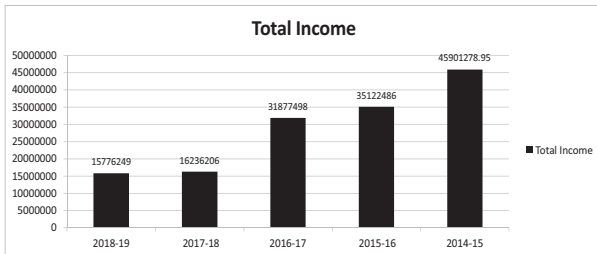
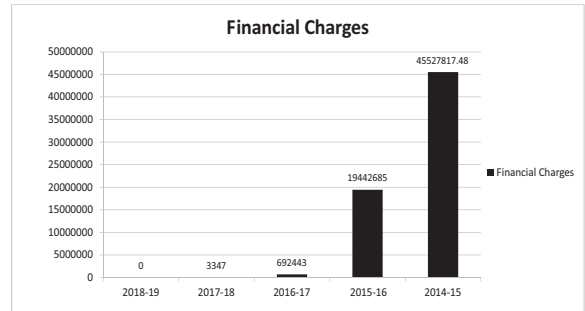
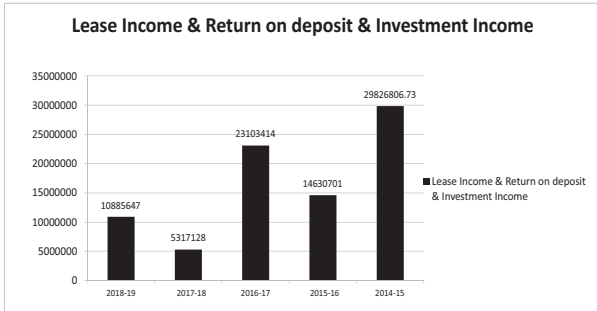
FIRST DAWOOD INVESTMENT BANK LIMITED

FINANCIAL HIGHLIGHTS

	2018-19	2017-18	2016-17	2015-16	2014-15
	Rupees	Rupees	Rupees	Rupees	Rupees
PROFIT & LOSS					
Lease Income & Return on deposit & Investment	10,885,647	5,317,128	23,103,414	14,630,701	29,826,807
Financial Charges	-	3,347	692,443	19,442,685	45,527,817
Fee, commission, brokerage & others	1,020,851	688,682	3,630,537	15,308,090	10,407,622
Dividend & capital gain/(loss)	3,869,751	10,230,396	5,143,547	5,183,695	5,666,850
Total Income	15,776,249	16,236,206	31,877,498	35,122,486	45,901,279
Provisions / (Surplus) / Deficit	33,848,820	129,348,336	4,193,870	49,896,676	53,338,990
Operating expenses	33,599,954	37,462,739	39,216,290	41,055,839	41,845,235
Other operating charges	-	-	683,857	-	-
Operating profit/ (loss) before tax and provision	(17,823,705)	(21,229,880)	(8,031,235)	(25,376,038)	46,559,165
Profit (loss) after taxation	2,080,528	101,625,823	(284,639,004)	500,269,039	6,508,693
Profit/(loss) before taxation	11,882,763	103,474,969	11,721,786	22,471,064	6,779,825
Dividends	-	-	-	-	-
Bonus shares	-	-	-	-	-
BALANCE SHEET					
Shareholder's equity	497,566,540	497,979,226	409,453,132	676,063,032	182,027,449
Deficit I surplus on Revaluation of Investment	(7,094,954)	(4,601,740)	8,497,989	(9,531,115)	(3,297,659)
Certificate of Investment I Deposits	-	-	-	-	88,500,000
Borrowings from financial institutions	389,860,019	426,200,019	487,731,536	494,198,916	513,991,893
Net Investment In Lease Finances	12,898,515	17,389,608	94,436,806	120,689,574	149,053,882
Financing - net of Provision	225,738,619	198,784,579	214,001,950	120,433,313	167,366,944
Investment - net of provision	757,328	19,341,003	79,246,555	217,267,734	244,658,359
Total Assets	995,640,960	1,030,607,263	1,058,608,008	1,343,659,804	965,859,398
FINANCIAL RATIOS					
Income / expense ratio (Times)	0.40	0.4140	0.7853	0.52535	0.240912778
Return on Average Equity (ROE) (%)	0.42%	20.41%	-69.52%	7%	-253.50%
Return on Average Assets (ROA) (%)	0.21%	9.86%	-26.89%	1.35%	-14.05%
Profit / (Loss) before tax ratio	0.75	6.37	0.37	0.1477	-5.064095983
Total assets turnover ratio /Fixed assets turnover ratio (Times)	0.0002	0.0003	0.00	0.00	0.01
Price Earning ratio	148.00	5.25	1.67	20.00	-0.55
Market Value per share	1.48	3.62	3.21	1.8	1.5
Earning per share (Rs.)	0.01	0.69	1.92	0.09	-2.707
Book value per share (Rs.)	3.35	3.36	2.76	4.56	1.227
Employees remuneration (Rs. In Million)	17.46	19.94	24.14	25.8	32.190472
Number of employees	7	7	8	9	18



FIRST DAWOOD INVESTMENT BANK LIMITED





FIRST DAWOOD INVESTMENT BANK LIMITED

Notice of Annual General Meeting (AGM XXV) First Dawood Investment Bank Limited

Notice is hereby given that the AGM XXV of First Dawood Investment Bank Limited will be held at its Registered Office, B.R.R. Tower, Hassan Ali Street, Off: I. I. Chundrigar Road, Karachi on Thursday, October 24, 2019 at 09:00 a.m. to transact the following business:

Ordinary Businesses

1. To confirm the minutes of XXIV Annual General Meeting held on October 26, 2018.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2019 together with Directors' and Auditors' Reports thereon.
3. To consider the appointment of External Auditors and to fix their remuneration for the financial year ending June 30, 2020.
4. To elect seven directors of the Company as fixed by the Board of Directors under the provisions of section 159 of the Companies Act, 2017 for a period of three years, commencing from October 24th, 2019. The names of retiring Directors are:
 1. Mr. Christopher John Aitken Andrew
 2. Mr. Rafique Dawood
 3. Mr. Asad Hussain Bokhari
 4. Mr. Khurshid Abul Khair
 5. Mr. Abu Khursheed M. Ariff
 6. Mr. Syed Iqbal Hussain Rizvi
 7. Mr. Muhammad Saeed

Special Business:

5. To consider, approve and make divestment in associated companies' u/s. 199 (4) and pass the following resolution with or without modification, as recommended by the Directors.
6. To consider, approve and make investment by way of loan / Musharaka / placement in associated company (B.R.R. Guardian Modaraba) and if deemed fit, to pass the following special resolution under section 199 (1) of Companies Act 2017, with or without modification, as recommended by the Directors;
7. Any other Business with the permission of the Chair.

Statement under Section 166(3) of the Companies Act 2017 is annexed to the notice being sent to the members.

By Order of the Board

**October 01, 2019
Karachi**

Syed Musharaf Ali
CFO & Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from October 17, 2019 to October 24, 2019 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1705, 17th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi, if any change of address immediately.
2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. No person other than a member shall act as proxy. Proxy forms, in order to be effective, must be received at the Registered Office, duly stamped and signed not less than 48 hours before the meeting.
3. **Un Claimed Bonus Shares**
Shareholders who could not collect their bonus shares are advised to contact our share Registrar to collect / enquire about their unclaimed bonus shares, if any. In compliance with section 244 of the Companies Act 2017, after having the stipulated procedure, all such bonus shares outstanding for a period of three years or more from the date due shall be delivered to the SECP.
4. **For Election of Directors**
Any person who seeks to contest the election of Directors shall file with the Company at its registered office, not later than fourteen



FIRST DAWOOD INVESTMENT BANK LIMITED

(14) days before the above said meeting his/her intention to offer himself/herself for the election of the Directors in terms of Section 159(3) of the Companies Act, 2017 together with:

- I. Consent to act as director under Section 167(1) of the Act on a duly filled and signed FORM-28
- II. Declaration for eligibility to act as director of listed company and awareness of duties and powers of directors under the Companies Act, 2017, Memorandum and Articles of Association of the Company, Rule Book of Pakistan Stock Exchange Limited and the Listed Companies (Code of Corporate Governance) Regulations, 2017 and other relevant laws and regulations.
- III. Declaration of independence in terms of Section 166(2) of the Companies Act, 2017 as required under Listed Companies (Code of Corporate Governance) Regulations, 2017 (applicable only for person filing consent to act as independent director of the Company).
- IV. A detailed profile along with office address for placement on the Company's website
- V. Detail of other directorship and offices held
- VI. Copy of valid CNIC (in case of Pakistan national) / Passport (in case of foreign national), and NTN & Folio No. /CDC Investors Account No./CDC Sub-Account No (applicable for person filing consent for the first time).

5. The CDC account holders will have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

A. For Attending the Meeting:

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

(iv) CONSENT FOR VIDEO CONFERENCING FACILITY

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

Signature of the Member(s)

B. For Appointing Proxies:

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

6. Availability of Financial Statements and Reports on the Website:

The Annual Report of the Company for the year ended June 30, 2019 has been placed on the Company's website at the given link: <http://www.firstdawood.com>

STATEMENT UNDER SECTION 166 (3) & 134 (3) OF THE COMPANIES ACT, 2017

This statement set out justification required concerning Agenda Item No. 4 (Election of Directors) and material facts pertaining to the special Business being item no. 05 on the notice to be transacted at the 25th Annual General Meeting.

AGENDA ITEM NO.4

ELECTION OF DIRECTORS

In terms of Section 153 (1) of the Companies Act, 2017, the directors, in Board of Directors meeting have fixed the number of elected directors at Seven (7) to be elected at the Annual General Meeting ("AGM") for a period of three years.

Independent directors, required on the Board in terms of Regulation 6(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017, shall be elected through the process of election of directors in terms of section 159 of the Companies Act, 2017 and Articles of Association of the Company.



FIRST DAWOOD INVESTMENT BANK LIMITED

As regards the justification for choosing independent directors in terms of Section 166(3) of the Act, the candidates for independent director should be eligible for election as director of the listed company and meet the criteria of independence laid down under section 166(2) of the Companies Act, 2017.

SPECIAL BUSINESS

AGENDA ITEM NO.5

RESOLVED THAT the Company be and is hereby authorized to dispose-off the following mentioned number of shares of its associated companies to Mr. Rafique Dawood; his family and associates or any other person or Interested party, at the price i.e. breakup/ negotiated price whichever is higher at the date of sale transaction(s) will be made in one or more tranches subject to prior approval of commission under 7 2(c) of Rules 2003 to comply Regulation 19(g) of NBFC Regulations 2008:

Name of Company	No. of Shares to be sold upto	Holding
B.R.R Investment (Private) Limited	4,762,100	41.63%

"**RESOLVED** further that the Chief Executive and Company Secretary be and are hereby authorized severally to do all acts, deeds and things necessary to implement this Resolution and also empowered to make amendments/modifications to the Resolution as may be required and such amendments/modifications shall also be deemed as having been approved by shareholders"

AGENDA ITEM NO.6

RESOLVED THAT the Company be and is hereby authorized to for the purpose of section 199 of the Companies Act, 2017 to make investment of Rs. 50.0 million by way of loan /Musharaka / placement for the period up to (01) one year on roll over basis in B.R.R. Guardian Modaraba. Information required to be disclosed to the members under the Companies (investment in associated companies or associated undertakings) Regulations, 2017, as follows;

Name of the associated company	B.R.R. Guardian Modaraba																		
Earnings Per Share for the last three years	<table border="1"> <tr> <td>June 30, 2016</td> <td>Rs.0.60</td> </tr> <tr> <td>June 30, 2017</td> <td>Rs.2.17</td> </tr> <tr> <td>June 30, 2018</td> <td>Rs.0.75</td> </tr> </table>	June 30, 2016	Rs.0.60	June 30, 2017	Rs.2.17	June 30, 2018	Rs.0.75												
June 30, 2016	Rs.0.60																		
June 30, 2017	Rs.2.17																		
June 30, 2018	Rs.0.75																		
Break-up value per share, based the latest audited financial statements.	June 30, 2018 Rs.16.12																		
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements for the period ended June 30, 2018.	<table border="1"> <tr> <td></td> <td style="text-align: right;">Rs. in million</td> </tr> <tr> <td>i) Operating income</td> <td style="text-align: right;">65.66</td> </tr> <tr> <td>ii) Other income</td> <td style="text-align: right;">11.65</td> </tr> <tr> <td>iii) Amortization on Ijarah assets</td> <td style="text-align: right;">39.68</td> </tr> <tr> <td>iv) Financial charges</td> <td style="text-align: right;">11.84</td> </tr> <tr> <td>v) Administrative expenses</td> <td style="text-align: right;">139.45</td> </tr> <tr> <td>vi) Reversal of Provision of doubtful debts</td> <td style="text-align: right;">(38.18)</td> </tr> <tr> <td>vii) Unrealized loss / (gain) on revaluation</td> <td style="text-align: right;">60.85</td> </tr> <tr> <td>viii) Net Profit</td> <td style="text-align: right;">64.92</td> </tr> </table>		Rs. in million	i) Operating income	65.66	ii) Other income	11.65	iii) Amortization on Ijarah assets	39.68	iv) Financial charges	11.84	v) Administrative expenses	139.45	vi) Reversal of Provision of doubtful debts	(38.18)	vii) Unrealized loss / (gain) on revaluation	60.85	viii) Net Profit	64.92
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vi) Reversal of Provision of doubtful debts	(38.18)																		
vii) Unrealized loss / (gain) on revaluation	60.85																		
viii) Net Profit	64.92																		
Maximum amount of investment to be made Purpose Benefits period of investment	Upto Rs.50.0 Million To earn a good return To earn profit rate Kibor + 100 bps (expected). In tranches between 3 to 6 months, from time to time as chief executive of the company may deem fit.																		
Salient features of the agreement with associated company with regards to proposed investment	Arm's length																		
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the transaction under consideration	None of the directors, sponsors, majority shareholders and their relatives have any interest in the proposed placement/ Musharakah / other mode of investment, except to the extent of their certificate in the associated company.																		

RESOLVED further that the Chief Executive and Company Secretary be and are hereby authorized severally to do all acts, deeds and things necessary to implement this Resolution and also empowered to make amendments/modifications to the Resolution as may be required and such amendments/modifications shall also be deemed as having been approved by shareholders



FIRST DAWOOD INVESTMENT BANK LIMITED

Chairman Review Report

Dear Shareholders,

I hereby present the 25th Annual Accounts along with the audited financial statements of First Dawood Investment Bank Limited for the year ended June 30, 2019.

Economic Overview

This year was again a challenging period for the country as well as for your company due to uncertain geo-political development resulting in economic woes. During the year under review, Pakistan's economy remained under pressure. The rising trend in core inflation with devaluation in rupees made it difficult to take economic development freely. On the other side rising trend in SBP discount rate gave rise to the cost of domestic manufacturers, resulting price hike of all commodities produced locally.

Consumer Price Index (CPI) inflation shown an upward trend in 2019. During FY 19 imports rose to an all-time high USD 67 billion, ballooning the trade deficit to USD 37 billion. The external accounts shows under considerable pressure, the rupee continued to slide, losing 26% of its value during the year and our foreign exchange reserves rebounded slightly after inflows Saudi Arabia and UAE.

Consequently keeping the view of economic scenario, the SBP has adopted a rapid tightening of monetary policy, increasing discount rate during the year.

Financial Performance

In view of the aforementioned scenario prevailing in the country, your company's gross finance lease revenue is Rs. 2.31 million only. However, a net of reversal of provision against 'Non Performing Assets' amounted to Rs.28.62 million. Due to prevailing recessionary conditions in the country, the majority of company's debtors cannot manage their businesses' commitments; therefore the only ray of hope for the company is through the sale / adjustment of collateral and recovery from litigation. Nevertheless your company took aggressive measures to transform company's operations and today it is in a much better state.

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

The leadership and effectiveness of the Board are primarily the Chairman's responsibility. We, in the Board recognize the importance of, and are committed to, high standards of corporate governance, aligned with the needs of the Bank and the interest of all our stakeholders. All directors are aware of their duties and responsibilities. They review and approve the Company's financial statements in addition to all significant plans and decisions. The Audit Committee focuses on compliance with the best practices of corporate governance and relevant statutory requirements, changes in accounting policies, compliance with listing regulations, monitoring the internal and external audit functions, review of financial statements. The Human Resource and Remuneration Committee reviews human resources needs, compensation policies and plans, and executive compensation.

Acknowledgement

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

Chairman



FIRST DAWOOD INVESTMENT BANK LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company are pleased to present to you the 25th Annual Report annexed with Audited Financial Statements of the Company for the year ended June 30, 2019.

Business Performance

During the year the company's results for 2019 reflect another year of sound performance that was enabled by aggressive strategy well executed by our management team in an environment where the banking industry facing economic turmoil. The management continued its recovery drive with assertiveness resulted after taking effect of provision made and reversal / recovery against already provided classified portfolio, the company earned after tax profit to Rs.2.080M, as opposed to a profit of Rs.101.626M last year. However, the net worth of your company has slightly decreased from Rs. 497.98M to Rs.497.566M due to reversal of deferred tax assets.

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

Further the management of FDIBL successfully restructured / rescheduled the loan liability of two financial institutions aggregating principal amount to Rs. 140.0 million @ 0% markup, the loan amount will be paid in 60 monthly instalments.

Company Overview

The NBFC sector was badly hit aftermath of financial meltdown which affected the entire financial sector in 2008. The result was sharp rise in discount rate coupled with liquidity shortage forced the companies to utilize the available cash flows from recoveries to repay borrowings leaving no rooms for new business. During the period under review NBFC sector continued to face manifold challenges along with liquidity shortage. By the grace of Almighty Allah, company's financial position has been stable for quite some time. Since the company is managing its business expenses through internal cash flows, the only source to generate cash is recoveries from existing portfolio. The non performing portfolio of the company is down to its most chronic defaulters. However, your management is confident that the trend for the year's profit shall improve in coming years through recoveries.

Financial Performance

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

	2019	2018
	Rupees	Rupees
Lease and financing (loss) / income <i>net of provision and impairment</i>	38,168,234	121,110,401
Return on deposits and investments	10,435,984	13,192,499
Other gain / (loss)	1,020,851	688,682
Total (Loss) / Income	49,625,069	134,991,582
Administrative and Operating Expenses	(33,599,954)	(37,462,739)
Finance cost	0.00	(3,347)
Total Expenditure	16,025,115	97,525,496
Share of (loss) / profit of associates	(4,142,352)	5,949,473
(Loss) before Taxation	11,882,763	103,474,969
Taxation	(9,802,235)	(1,849,146)
(Loss) / Profit after Tax	2,080,528	101,625,823
(Loss) / Earnings Per Share – Basic	0.01	0.68
(Loss) / Earnings Per Share – Diluted	0.01	0.68



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Economic Review

Adverse balance of trade, meagre growth in worker's remittances and subdued foreign direct investments continued to fuel the worsening current account deficit. Resultantly, the FX reserves have been decreased over 20%. Amidst the fiscal and trade deficit, declining foreign reserves, rising debt servicing requirements, depreciating currency, growth in undocumented economy, renewed access to financial support packages from multilateral agencies along with additional external borrowings might become inevitable. While smooth transition of power among elected governments have created political stability; major changes are required in long term fiscal and monetary policies to address the aforementioned challenges. The management of your company is confident that the bottom line of the company shall improve further.

Future Outlook

During current year recovery of Rs.19,971 million has been made against non-performing lease and advances portfolio. Further recoveries are also expected from the existing portfolio, which will provide adequate cash flows for next 12-18 months. Hence, there are no issue of going concern for your company in the near future. The management is confident that it will continue to write back provisions as a result of expected recoveries which will not only result in better cash flows, but will also enhance profitability and the net worth of your company. The departments have been restructured and rationalized / right sized to reduce the payroll cost and overhead expenses. The proposed reduction in financing cost through restructuring / settlements with the lenders will assist in further reducing the losses and improving the equity. The company has applied for renewal of its license and decision is pending with Appellate bench. The renewal of license will make the Company attractive for equity participation / merger along and / or with an opportunity for the existing shareholders to inject additional equity. The management is confident that the Company will be able to resume its operations upon renewal of licences and to take advantage of deferred tax by writing new lease facilities.

Internal Control and Audit Function

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

Accounting Policies & Estimates

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

External Auditors

The Auditors Reanda Haroon Zakaria & Company -Chartered Accountants have retired after completion of their term of five years.

Related Party Transaction

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

Statement of Corporate Governance

Your Company has implemented provisions of the Code of Corporate Governance relevant for the year ended June 30, 2019. The external auditors review report on the statement of compliance with the Code of Corporate Governance is annexed with this report. As per directives of SECP and Pakistan Stock Exchange, the Directors hereby confirm the following as required by clause (xvi) of the code:

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



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Significant deviations in operating results

The significant deviations in operating results of the Company were mainly due to the fact that during the current year the company made net reversal of provisions on Non Performing Assets (NPAs) amounting to Rs.28.622 million This was mainly due to settlement / restructuring of outstanding liabilities.

The company has managed to reduce its administrative expenses by 10.31% i.e. from Rs. 37.463 million to Rs. 33.599 million last year despite the prevailing inflationary trend.

Key Financial Highlights

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

Dividend

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

Taxes, duties, levies and charges

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

Provident Fund

The Company and its employees contribute equally in a Registered Funded Provident Fund (the Fund) for its employees. The net assets of the Fund as per the unaudited financial statement for the year ended June 30, 2019 stood at Rs. 150.265 million.

Meeting of the Board & its Committees

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

Board Meetings

S. No	Name	Designation	Entitlement to Attend Meeting	Meetings Attended	Leave of Absences
1	Mr. Christopher John Aitken Andrew	Chairman	4	3	1
2	Mr. Rafique Dawood	CEO & Director	4	4	-
3	Mr. Abu Khursheed M. Ariff	Director	4	2	2
4	Mr. Asad Hussain Bokhari	Director	4	4	-
5	Mr. Khurshid Abul Khair	Director	4	4	-
6	Mr. Syed Iqbal Hussain Rizvi	Director	4	4	-
7	Mr. Muhammad Saeed	Director	4	0	4



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Audit Committee Meetings

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

Human Resources & Remuneration Committee Meetings

S. No	Name	Designation	Entitlement to Attend Meeting	Meetings Attended	Leave of Absences
1	Mr. Khurshid A. Khair	Chairman	1	1	-
2	Mr. Asad Hussain Bokhari	Member	1	1	-
3	Mr. Abu Khursheed M. Ariff	Member	1	0	1

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

Directors Training Programme

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

Pattern of Share holding

The pattern of shareholding and additional information regarding pattern of shareholding is annexed on page 74 of the Annual Report.

Auditor's Report

The Auditors have given their opinion on the financial statements of the company for the year ended June 30, 2019, wherein they have expressed their opinion on Deferred Tax Asset amounting Rs.389.35 million Further, they draw attention to following matters (i) licenses for Leasing Business and Investment and Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008 from the Securities and Exchange Commission of Pakistan (SECP) has been expired and awaiting renewal. (ii) appeal for renewal of registration as Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 is currently pending at the Hon' able High Court of Sindh. (iii) note 1.10 & 11.4 of the financial statements discloses that the Company is not in compliance with certain requirements of NBFC Regulations. (iv) note 31.1 to the financial statements which describes the litigation with HBFC over the settlement amount of liabilities due to different cost of funds as determined by SBP and JCR-VIS. The Company's response to the aforementioned observation is as under:

With regards to Deferred Tax, the Company had engaged an independent firm of Chartered Accountants for the preparation of financial projections based on which the deferred tax asset has been recognised. The business plan involved certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. However it is expected that there will be no material change in the projections and the Company will be able to generate profits as per the Business Plan which would then be utilized to set-off the deferred tax Asset, once the license is renewed. Consequently, the deferred tax asset accounted for in the financial statements will be fully realized in the future.



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- (i) The Company is compliant with Minimum Equity Requirement (MER) since December 2017 and has applied for renewal of Investment Finance Services License to SECP and the matter is pending with Appellate bench of SECP.
- (ii) The appeal for renewal of registration as Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations is pending at the appellate bench of SECP.
- (iii) A single party exposure is exceeding the 20% of equity of the company and the same amount is under litigation. In this current financial year the company had offloaded the 53% shares of associated company and company endeavour to reduce the investment in associate as per the limit defined in NBFC Regulations.
- (iv) The DFI shared a 'cost of fund' inclusive of; Administrative & Provision costs (in addition to cost of funds). In view of the above, the company took assistance of the report of Rating Agency for 'cost of fund' and structured the 'Schedule of Repayment'. The DFI accepted the first cheque, which triggered the repayment schedule, as per the offer. Thereafter 12-installments were duly paid by the company i.e. from April 2016 until March 2017, after settling the value of securities that were not released.

Trading / Dealing in Company Shares

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

Post Balance Sheet Events

There has been no occurrence of significant events between the financial year ends June 30, 2019 of the company to date.

Acknowledgement

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

Director

Director



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آڈٹ کمیٹی کی میٹنگز:

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

انسانی وسائل اور مشاہرتی کمیٹی میٹنگز:

سیریل نمبر	نام	عہدہ	میٹنگ آئینڈ کرنے کی اہلیت	حاضری	تغییل
1	جناب خورشید ابوالخیر	چیئر مین	1	1	-
2	جناب اسد حسین بخاری	رکن	1	1	-
3	جناب ابو خورشید عارف	رکن	1	0	1

ڈائریکٹرز ٹریننگ پروگرام:

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

پیٹرن آف شیئر ہولڈنگ:

پیٹرن آف شیئر ہولڈنگ اور اس سے متعلق اضافی معلومات المیاتی گوشواروں سے منسلک صفحہ نمبر 74 پر دی گئی ہیں۔

آڈیٹرز رپورٹ:

آڈیٹرز نے 30 جون 2019ء کو ختم ہونے والے مالی سال کے حوالے سے رپورٹ میں درج ذیل دائے دی ہیں۔

(a) ڈیفیڈ ایسیٹس 389.35 ملین روپے ہے۔

۱- کاروباری اجازت نامہ NBFC Regulation کے تحت میعاد ختم ہونے کے بعد تجدیدی مراحل میں ہے۔

۲- نوٹ نمبر 1.10 اور 11.4 کے مطابق کمپنی نے بعض امور میں این بی ایف سی کے بعض ریگولیشنز پر مکمل عمل نہیں کیا اور ڈیٹ سیکورٹیز ریگولیشنز 2012 کے ریگولیشن (2) سے مطابقت پیدا نہیں کی۔



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کارپوریٹ گورننس:

- 30 جون 2019ء کو ختم ہونے والے سال کیلئے طے شدہ کوڈ آف کارپوریٹ گورننس پر پھر پورعمل کیا گیا ہے اس حوالے سے آڈیٹرز کی رپورٹ منسلک ہے۔ ایس ای سی پی اور کراچی اسٹاک ایکسچینج کی ہدایات کے مطابق درج ذیل امور کو یقینی بنانے کی کوشش کی گئی ہے۔
- ۱- تمام مالیاتی گوشوارے ادارے کی درست پوزیشن ظاہر کریں۔
 - ۲- تمام مالیاتی نکتے، بہترین معیار اپ ڈیٹڈ رکھی جائیں۔
 - ۳- موزوں اور متعلقہ اکاؤنٹنگ پریکٹس اور طریقہ کار اپنایا جائے۔
 - ۴- انٹرنیشنل فنانسشل رپورٹنگ اسٹینڈرڈز اپنائے جائیں اور اگر کہیں نہ اپنائے جائیں تو تصریح کر دی جائے۔
 - ۵- انٹرنل کنٹرول کا معیاری نظام اپنایا گیا ہے اس حوالے سے موثر ٹیمز کا نظام بھی موجود ہے۔

آپریٹنگ نتائج میں اہم تبدیلیاں:

ادارے نے گزرنے والے سال میں نان پرفارمنگ اسٹیٹس 28.62 ملین روپے کی کمی واقع ہوئی ہے۔ جس کے لئے مختص رقم کمپنی نے انتظامی اخراجات میں نمایاں کمی واقع ہوئی جو پچھلے سال 37.46 ملین روپے کے تناسب میں اس سال 33.59 ملین روپے ہے۔ واجبات کی سنبھلنت اور ری اسٹرکچرنگ کیلئے بھی بات چیت کی گئی۔

اہم مالیاتی امور:

- ۱- ڈویڈنڈ (مقبوض): ادارے کی مالی حالات دیکھتے ہوئے بورڈ آف گورنرز نے طے کیا ہے کہ ڈویڈنڈ یا نوٹس شیئر کے اجراء کا اعلان نہ کیا جائے۔
- ۲- ٹیکس، ڈیوٹی، چارجز: مالیاتی گوشواروں میں بیان کردہ رقم کے سوا کوئی بھی رقم ادارے پر واجب الادا نہیں۔ ادارے کا ٹیکس ڈپارٹمنٹ خدمات پر سب ٹیکس عائد کرنے اور ٹیکس ریکیو لیٹیشنز میں تبدیلیوں کا جائزہ لے رہا ہے۔
- ۳- پراویڈنٹ فنڈ: ملازمین کیلئے ادارے نے پراویڈنٹ فنڈ کا اہتمام کر رکھا ہے۔ اس مدت میں 30 جون 2019ء کے مطابق 150.265 ملین روپے موجود تھے۔
- ۴- بورڈ آف ڈائریکٹرز اور کمیٹی کی میٹنگ: سال بھر میں بورڈ آف ڈائریکٹرز اور کمیٹی کی میٹنگز کی حاضری حسب ذیل رہی:

ڈائریکٹرز کی میٹنگز:

سیریل نمبر	نام	عہدہ	میٹنگ انیٹیڈ کرنے کی اہلیت	حاضری	تعطیل
1	جناب کرسٹوفر جان اتھین اینڈریو	چیئرمین	4	3	1
2	جناب رفیق داؤد	ڈائریکٹر/سی ای او	4	4	-
3	جناب ابو خورشید عارف	ڈائریکٹر	4	2	2
4	جناب اسد حسین بخاری	ڈائریکٹر	4	4	-
5	جناب خورشید ابوالخیر	ڈائریکٹر	4	4	-
6	جناب سید اقبال حسین رضوی	ڈائریکٹر	4	4	-
7	جناب محمد سعید	ڈائریکٹر	4	0	4



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معاشی صورتحال:

ادائیگی کی عدم استحکام، بیرونی سرمایہ کاری میں کمی کی وجہ سے کرنٹ اکاؤنٹ خسارے میں اضافہ ہوا ہے۔ اس کی وجہ سے بیرونی کرنسی کے ذخائر میں 20% کمی واقع ہوئی ہے۔ جبکہ اس کے ساتھ ہی یہ خوش آئند بات ہے کہ ملک میں سیاسی استحکام ہے جس کے ذریعے ملک کو درپیش مالیاتی اور معاشی مشکلات سے نبرد آزما ہو سکتا ہے۔

مستقبل کے امکانات:

ناپرفارمنٹ گلوبلز اور ایڈوانسز پورٹفو لیوز کی آمد میں 19.97 ملین روپے کی ریکوری ہوئی۔ مزید اکاؤنٹس سے بھی جلد ریکوری کی امید ہے۔ اب بارہ سے اٹھارہ تک کیش فلکس کا مسئلہ پیدا نہ ہونے کی امید ہے۔ مستقبل قریب میں پریشانی کو کوئی بات نہیں ہوگی۔ ریکوری کی صورت میں کیش فلکس بہتر نہ ہوگا بلکہ منافع کی صلاحیت بھی بہتر ہوگی اور ادارے کی مجموعی قدر و قیمت میں اضافہ ہوگا۔

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

اندرونی کنٹرول اور آڈٹ:

ادارے کو پورا اعتماد ہے کہ بیچ سالہ منصوبے کے مطابق تمام نتائج حاصل کرنے میں برنس پلان میں مستقبل کیلئے ٹیکس اسپن پروفٹس اور نئی ایکویٹی بھی شامل ہے۔ انٹرنل کنٹرول معیاری ہے۔ نگرانی کا نظام جامع ہے۔ اس نتیجے میں معاملات بہتری کے ساتھ نئے جا رہے ہیں۔ انٹرنل آڈٹ کیلئے بے اسے ایس بی ایسوی ایٹس چارٹرڈ اکاؤنٹنٹس کی خدمات حاصل کی گئی ہیں۔ یہ کمپنی آڈٹ کمیٹی کو براہ راست رپورٹ کرے گی۔

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

ایکسٹرنل آڈیٹرز:

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

ریلیٹیو پارٹی ٹرانزیکشن:

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



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ڈائریکٹرز کی رپورٹ:

ہم تمام ڈائریکٹرز 30 جون 2019ء کو ختم ہونے والے مالی سال کیلئے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ سالانہ رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

ادارے کی کارکردگی:

گزشتہ ہونے والے سال کے دوران کمپنی کے 2019ء کے نتائج اس بات کی عکاسی کرتا ہے کہ ہماری انتظامیہ کی انتھک محنت اور کاوشوں اور حاضر کے ترجیحات جو کہ بینکنگ کو درپیش ہے بڑی کامیابی سے اس سے بڑا ڈیڑھا ہونے ہیں۔ کمپنی انتظامیہ کی تسلسل سے ریکوری کی کامیاب کاوشوں کے نتیجے میں منافع بعد از ٹیکس 2.080 ملین روپے اس کی نسبت پچھلے سال کا منافع 101.626 ملین روپے ہے۔ جبکہ کمپنی کی حقیقی مالیت میں کمی ہوئی جو کہ 497.98 ملین روپے سے 497.56 ملین روپے ہو گئی ہے جس کی وجہ ڈیفیڈنٹس اثاثہ جات کا واپس ہونا ہے۔

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

ادارے کی مالیاتی کارکردگی:

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

مالیاتی گوشوارے:

	2019 Rupees	2018 Rupees
Lease and financing (loss) / income net of provision and impairment	38,168,234	121,110,401
Return on deposits and investments	10,435,984	13,192,499
Other gain / (loss)	1,020,851	688,682
Total (Loss) / Income	49,625,069	134,991,582
Administrative and Operating Expenses	(33,599,954)	(37,462,739)
Finance cost	0.00	(3,347)
Total Expenditure	16,025,115	97,525,496
Share of (loss) / profit of associates	(4,142,352)	5,949,473
(Loss) before Taxation	11,882,763	103,474,969
Taxation	(9,802,235)	(1,849,146)
(Loss) / Profit after Tax	2,080,528	101,625,823
(Loss) / Earnings Per Share – Basic	0.01	0.68
(Loss) / Earnings Per Share – Diluted	0.01	0.68



FIRST DAWOOD INVESTMENT BANK LIMITED

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

Name of the company: FIRST DAWOOD INVESTMENT BANK LIMITED
YEAR ENDED: 30 JUNE 2019

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

2. The composition of the board is as follows:

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

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



FIRST DAWOOD INVESTMENT BANK LIMITED

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

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of the meetings (quarterly/half yearly/yearly) of the committee were as per following:
- | | |
|----------------------------------|--|
| a) Audit Committee | 04 meeting were held during FY 2018-19 |
| b) HR and Remuneration Committee | 01 meeting was held during FY 2018-19 |
15. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight BOD of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
17. We confirm that all other requirements of the Regulations have been complied with.

Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of First Dawood Investment Bank Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **First Dawood Investment Bank Limited** (the company) for the year ended June 30, 2019 in accordance with the requirement of regulation 40 of the Regulation.

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

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


The Regulation require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the Related party transaction by the board of directors upon recommendations of the Audit committee. We have not carried out procedures to assess and determine the company's process for identification of the related party and that whether the related party transactions were undertaken at arm's length price or not.



Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

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

<i>Note Reference</i>	<i>Description</i>
4	Management of the Company could not comply with the corporate and financial reporting requirements of the regulation 17(1), 17(2) and 19(g) of Non-Banking Finance Companies and Notified Entities Regulations, 2008.
9	The Company will acquire for Directors' training program as per Code of Corporate Governance subsequent to renewal of business license.
10	Chief Financial Officer of the Company also holds the office of the Company Secretary.


Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Date: 25 September 2019

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

Qualified Opinion

We have audited the annexed financial statements of **First Dawood Investment Bank Limited** which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the basis for qualified opinion section of our report the statement of financial position, statement of profit or loss, other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As at June 30, 2019, the Company has recognized deferred tax asset of Rs.389.35 million in respect of carry forward of unused tax losses and provisions that result in deductible temporary differences. As stated in note 14 to the financial statements, assessment for recoverability of the said deferred tax asset on the basis of projections for future taxable income taking into account various assumptions regarding future business prospects and conditions has been carried out by the management. However, we could not substantiate deferred tax assets and relevant projections realization of which is dependent on renewal of license and availability of taxable profit which are uncertain.

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

Material Uncertainty Relating to Going Concern

We draw attention to note 1.3 to the financial statements describes that the Company is facing financial problems, its accumulated losses as at June 30, 2019 are in the tune of Rs.1,435.08 million, and as of that date, the Company's current liabilities exceed its current assets by Rs.5.35 million and its licenses to carry out business are not renewed. These conditions along with other matters as stated in note 1.3 and contingencies identified in note 34.1 to note 34.6 indicate the existence of a material uncertainty that may cast significant doubt over Company's ability to continue as a going concern and accordingly Company may not be able to realize its assets and discharge its liabilities at stated amount. Our opinion is not qualified in this respect.

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

Emphasis of Matter(s)

- (i) We draw attention to note 1.1 to the financial statements which state that licenses for Leasing Business and Investment and Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008 from the Securities and Exchange Commission of Pakistan (SECP) has been expired and awaiting renewal.
- (ii) Further, we draw attention to note 1.2 to the financial statements which state that appeal for renewal of registration as Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 is currently pending at the Hon' able High Court of Sindh.
- (iii) Further, we draw attention to note 1.10 & 11.4 of the financial statements which state that the Company is in non-compliance with certain requirements of NBFC Regulations.
- (iv) Further we draw attention to note 31.1 to the financial statements which describes the litigation with HBFC over the settlement amount of liabilities due to different cost of funds as determined by SBP and JCR-VIS.

Our opinion is not qualified in respect of above matters.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty relating to going concern and Basis for Qualified Opinion section,

Following are the Key audit matter(s):

S. No.	Key audit matter(s)	How the matter was addressed in our audit
1	<p>Regulatory Provisions against Non-Performing Assets</p> <p>Refer to Note # 10, 12 and 17 to the Financial Statements; management has made provisions for the non-performing finance leases, long term finances and Placements and Finances in accordance with NBFC and Notified Entities Regulations 2008 that require significant judgments including estimates of Forced Sale Value of assets held as collateral.</p>	<p>Our key audit procedures in respect of provision against non-performing assets, amongst others, include the following:</p> <p>We assessed whether all assets are classified appropriately among regular, sub-standard, doubtful and loss category based on period since which they are outstanding.</p> <p>For non-performing receivables eligible for Forced Sale Value benefit, we evaluated whether valuation reports are available and valid.</p> <p>We examined that whether FSV benefit are restricted to lower of new and old valuation report, where applicable, as provided by Independent valuer listed on panel of approved valuers by Pakistan Banks' Association.</p> <p>We examined that reversal of provision has been made as per specified condition in the NBFC and Notified Entities Regulations 2008.</p> <p>We inspected mortgage deeds to substantiate existence of leased assets held as collateral.</p>
2	<p>Company's Exposure to litigation risk</p> <p>Refer to note 34, Company is exposed to litigations and claims that have been filed against the Company many years ago, there are significant judgments including estimates involved regarding the outcome of these litigations.</p>	<p>Our audit procedures in respect of litigations and claims, amongst others, include the following:</p> <p>Obtaining an understanding of the Company's processes, design and testing operating effectiveness of controls over litigations through meetings with the management and</p>

S. No.	Key audit matter(s)	How the matter was addressed in our audit
		<p>review of the minutes of the Board of Directors and Board Audit Committee.</p> <p>Discuss the legal matters with Inhouse legal personnel.</p> <p>Examine the litigation report generated by the Management.</p> <p>Reading correspondence between Company and Regulatory Authority.</p> <p>Circularizing external confirmations, where appropriate, on material cases and assessing the replies received thereof.</p> <p>Whilst noting the inherent uncertainties involved with the legal and regulatory matters, assessing the appropriateness of the related disclosures made in the annexed financial statements.</p> <p>Review the website of High Court of Sindh to cross check the pending cases with the record of the Company.</p>

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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


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

Report on Other Legal and Regulatory Requirements

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

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

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


Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated **25 SEP 2019**



FIRST DAWOOD INVESTMENT BANK LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019**

<u>ASSETS</u>	<i>Note</i>	<i>2019 Rupees</i>	<i>2018 Rupees</i>
Non-Current Assets			
Property and equipment	7	222,223	338,835
Intangibles assets	8	783,478	883,528
Investment properties	9	60,810,000	62,805,000
Net investment in finance lease	10	12,898,515	17,389,608
Long term investments	11	143,913,643	151,914,281
Long term finances	12	-	-
Long term deposits	13	-	2,500,000
Deferred tax asset - net	14	389,351,187	397,338,572
		607,979,046	633,169,824
Current Assets			
Current & overdue portion of non-current assets	15	225,738,619	198,784,579
Short term investments	16	757,328	19,341,003
Placements and finances	17	39,025,413	39,025,413
Investment held with Nazir SHC at FVOCI	18	44,539,693	42,377,778
Advance against lease commitments	19	-	-
Loans and advances	20	2,200,995	1,320,036
Tax refund due from government	21	-	-
Prepayments	22	23,332	26,673
Mark-up accrued	23	16,365	46,856
Other receivables	24	1,017,191	6,000,000
Cash and bank balances	25	74,342,978	90,515,101
		387,661,914	397,437,439
		995,640,960	1,030,607,263
<u>EQUITY AND LIABILITIES</u>			
Share Capital Reserves			
Ordinary shares	26	1,483,900,230	1,483,900,230
Capital reserves		455,841,607	455,425,501
Accumulated loss		(1,435,080,343)	(1,436,744,765)
		504,661,494	502,580,966
Share of unrealised gain on remeasurement of investments in associates		4,300,476	6,994,953
Unrealised loss on remeasurement of investment at FVOCI		(11,395,430)	(11,596,693)
		497,566,540	497,979,226
Non-Current Liabilities			
Long term loans	27	95,054,223	59,140,000
Long term deposits	28	10,000,000	10,000,000
		105,054,223	69,140,000
Current Liabilities			
Current & overdue portion of long term liabilities	29	304,737,313	360,991,536
Mark-up accrued	30	25,756,644	33,028,644
Short-term borrowings	31	50,266,346	56,266,346
Accrued and other liabilities	32	4,979,770	5,349,014
Taxation	33	7,280,124	7,852,497
		393,020,197	463,488,037
Contingencies and Commitments			
	34	995,640,960	1,030,607,263

The annexed notes from 1 to 53 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

**STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019**

	<i>Note</i>	<i>2019 Rupees</i>	<i>2018 Rupees</i>
<u>INCOME</u>			
Lease income		2,307,180	2,330,581
Income from long term finances		17,234	63,484
Return on investments and deposits	35	8,561,233	2,923,063
Gain on sale of securities - net	36	3,869,751	10,022,201
Reclassification of gain		-	208,195
Other income	37	1,020,851	688,682
		<u>15,776,249</u>	<u>16,236,206</u>
<u>EXPENSES</u>			
Administrative expenses	38	<u>(33,599,954)</u>	<u>(37,462,739)</u>
Finance cost - Net	39	<u>-</u>	<u>(3,347)</u>
		<u>(33,599,954)</u>	<u>(37,466,086)</u>
Operating loss before provisions and changes in fair value		(17,823,705)	(21,229,880)
Provisions / changes in fair value			
Reversal of provision / (provision) for potential lease and other loan losses - net	40	<u>28,621,656</u>	<u>58,665,428</u>
Unrealized loss on remeasurment of investments - FVTPL		<u>(49,836)</u>	<u>(2,441,441)</u>
Liabilities written back	41	<u>7,272,000</u>	<u>62,492,349</u>
Unrealized (loss) / gain on remeasurment of investments property		<u>(1,995,000)</u>	<u>10,632,000</u>
		<u>33,848,820</u>	<u>129,348,336</u>
		<u>16,025,115</u>	<u>108,118,456</u>
Loss on disposal of asset classified as held for Sale		-	(10,592,960)
Share of (loss) / profit from associates- net	42	<u>(4,142,352)</u>	<u>5,949,473</u>
Profit before taxation		11,882,763	103,474,969
Taxation	43	<u>(9,802,235)</u>	<u>(1,849,146)</u>
Profit after taxation		<u>2,080,528</u>	<u>101,625,823</u>
Earning per share - basic	44	<u>0.01</u>	<u>0.68</u>
Earning per share - diluted	44	<u>0.01</u>	<u>0.68</u>

The annexed notes from 1 to 53 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	<i>2019</i> <i>Rupees</i>	<i>2018</i> <i>Rupees</i>
Net profit after taxation	2,080,528	101,625,823
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Share of unrealised (loss) from associates on remeasurement of investments	(1,935,569)	(6,708,349)
Reclassification of gain to profit and loss account	-	(208,195)
Unrealised gain / (loss) on remeasurement of investment at FVOCI	201,263	(9,257,891)
Add: Impact of Deferred Tax	758,908	3,074,706
	(975,398)	(13,099,728)
Total comprehensive income for the year	1,105,130	88,526,094

The annexed notes from 1 to 53 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	<i>2019</i>	<i>2018</i>
	<i>Rupees</i>	<i>Rupees</i>
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,882,763	103,474,969
Adjustments:		
Depreciation	116,612	523,301
Gain on sale of securities - net	(3,869,751)	(10,022,201)
Amortization	100,050	100,050
Share of loss / (profit) from associates	4,142,352	(5,949,473)
Liabilities written back	(7,272,000)	(62,492,349)
Finance cost	-	3,347
Gain on sale of property and equipment	-	(316,400)
Reversal of provision for lease and other loan losses - net	(28,621,656)	(58,665,428)
Income on DSCs	(37,934)	(34,222)
Unrealized loss on remeasurement of investments - FVTPL	49,836	2,441,441
Unrealized loss / (gain) on remeasurement of investments property	1,995,000	(10,632,000)
Loss on disposal of asset classified as held for Sale	-	10,592,960
Exchange gain	(56,471)	(25,904)
	(33,453,962)	(134,476,878)
	(21,571,199)	(31,001,909)
Changes in operating assets and liabilities		
(Increase) / decrease in operating assets		
Net investment in finance lease - net	5,445,315	7,596,501
Long term finances - net	679,994	529,202
Long term deposits	2,500,000	1,639,822
Placements and finances - net	-	3,930,000
Assets classified as held for sale	-	-
Advance against lease commitments		
Loans and advances	(880,959)	976,458
Tax refund due from government		
Deposits and prepayments	3,341	34,992,523
Mark-up accrued	30,491	106,013
Other receivables - net	(983,791)	5,585,000
	6,794,391	55,355,519
	(14,776,808)	24,353,610
Increase / (decrease) in operating liabilities		
Accrued and other liabilities	(369,244)	(3,407,370)
	(15,146,052)	20,946,240
Finance cost paid	-	(3,347)
Taxes paid	(2,387,223)	(906,714)
Net cash (used in) / generated from operating activities	(17,533,275)	20,036,179



FIRST DAWOOD INVESTMENT BANK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	<i>2019</i> <i>Rupees</i>	<i>2018</i> <i>Rupees</i>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	-	(132,000)
Proceeds from sale of property and equipment	-	316,400
Long and short term investments disposal made - net	<u>21,644,681</u>	<u>66,184,339</u>
Net cash generated from investing activities	<u>21,644,681</u>	<u>66,368,739</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loans -net	<u>(20,340,000)</u>	-
Net cash used in financing activities	<u>(20,340,000)</u>	-
Net (decrease) / increase in cash and cash equivalents	(16,228,594)	86,404,918
Foreign currency translation	56,471	25,904
Cash and cash equivalents at beginning of the year	90,515,101	4,084,279
Cash and cash equivalents at end of the year	<u><u>74,342,978</u></u>	<u><u>90,515,101</u></u>

The annexed notes from 1 to 53 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Share Capital		Capital Reserves		Revenue Reserves			Total
	Ordinary shares	Statutory reserve	Premium on issue of right shares	Capital reserve on acquisition	Share of unrealised (loss) / gain on remeasurement of associates' investments	Unrealised gain / (loss) on remeasurement of available - for - sale investments	Accumulated loss	
	----- Rupees -----							
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 year								
- Profit for the year	-	-	-	-	-	-	101,625,823	101,625,823
- Other comprehensive income								
Unrealised loss on remeasurement of investments FVOCI	-	-	-	-	(6,708,349)	(9,257,891)	-	(15,966,240)
Reclassification of gain to profit and loss account	-	-	-	-	(208,195)	-	-	(208,195)
Transfer to statutory reserve	-	20,325,165	-	-	-	-	(20,325,165)	-
Defer tax OCI	-	-	-	-	1,028,231	2,046,475	-	3,074,706
Balance at June 30, 2018	1,483,900,230	399,402,107	53,426,910	2,596,484	6,994,953	(11,596,693)	(1,436,744,765)	497,979,226
Total comprehensive income for the year								
- Profit for the year	-	-	-	-	-	-	2,080,528	2,080,528
- Other comprehensive income								
Share of unrealised loss on remeasurement of associates' investments	-	-	-	-	(1,935,569)	-	-	(1,935,569)
Unrealised gain on remeasurement of investment at FVOCI	-	-	-	-	-	201,263	-	201,263
Transfer to statutory reserve	-	416,106	-	-	-	-	(416,106)	-
Deferred Tax-OCI	-	-	-	-	(758,908)	-	-	(758,908)
Balance at June 30, 2019	1,483,900,230	399,818,213	53,426,910	2,596,484	4,300,476	(11,395,430)	(1,435,080,343)	497,566,540

The annexed notes from 1 to 53 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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 Act, 2017 (formerly Companies Ordinance, 1984) and is listed on Pakistan Stock Exchange. The registered office of the Company is situated in Karachi, Pakistan. The Company had obtained the licenses for Leasing Business and Investment and Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the Rules") and Non Banking Finance Companies and Notified Entities Regulations, 2008 ("the Regulation") from the Securities and Exchange Commission of Pakistan (SECP) which has been expired and awaiting renewal.
- 1.2 The Company had applied for registration as a Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 which was denied by SECP vide its order dated November 22, 2013 against which an appeal has been filed before appellate bench of SECP on December 17, 2013. The appeal is pending. The Company is acting as trustees to Term Finance Certificates / Sukuk issued by Saudi Pak Leasing Company Limited, New Allied Electronics Industries (Private) Limited, Security Leasing Company Limited, Dewan Cement Limited, House Building Finance Company Limited (sukuk issue) and Pak Hy-Oils Limited. The value of assets under trustee as at June 30, 2019 amounted to Rs.9.04 billion (2018: Rs.9.04 billion).
- 1.3 The Company earned a net profit of Rs 2.08 million during the year ended June 30, 2019, its accumulated losses reached to Rs 1435.08 million as at June 30, 2019 and its current liabilities exceed current assets by Rs 5.35 million. The Company faced liquidity crunch due to aftermath of financial crisis 2008-09 which result primarily in view of unwarranted closure of PSX for all practical purpose for 109 days. The stock market nosedived by approximately 60% which resulted in withdrawal of money market lines by financial institution of NBFC sector. Owing to abrupt withdrawal of clean money market money of the Company of over Rs. 5 billion from the banking sector; the Company was unable to meet its commitments on time. To honour its commitment to creditors/lenders, the Company settled its majority of its liabilities against its assets, thus various loans & liabilities have been settled and about Rs. 399 millions is outstanding for which the Company is making efforts to settle in a similar manner. Presently, the equity of the Company is 497.57 million. However as per SECP Order dated May 24, 2018, MCR shall excluded deferred tax asset and markup of Rs.62.49 million for which appeal has been filed. Above factors indicate existence of uncertainties which may cast significant doubts on the Company's ability to continue as a going concern and accordingly Company may not be able to realize its assets and discharge its liabilities at stated amount but the company through innovative means has been able to settle various liabilities and has also covering all expenditures. Similarly and going forward, the management of the Company is confident that it will continue with the mitigation plan, as explained in the following paragraphs, which will also ensure that the company continues as going concern owing to these factors financials statement are prepared on going concern basis.

1.4 Mitigation plan

- The Company has successfully able to meet over many of its financial obligations through recoveries and settlements and has been able to settle majority of its liabilities and other commitments through its assets in last few years. It further plans to continue with the settlement of its remaining outstanding liabilities i.e. around Rs.424.897 million.
- The Company is hopeful to restructure / settle the residual amount of liabilities in the near future.
- The Company is meeting all of its expenses since the financial turmoil of 2008-09 without any external financial support or a bail-out package. Further, the Company has adequate liquid assets in the form of bank balances and short term investments to meet its obligations / expenses in the near future.
- The Company is aggressively following-up with its non-performing portfolio for recovery of principal, mark-up and repossession of collateral assets. In this respect, the management has realigned its strategy accordingly.
- During the year, the Company made recoveries amounting Rs. 7.90 million which is below the expected recovery amount of Rs. 90.00 million. Major reason for the difference was slow litigation system in the country. The management is expecting to recover the amount either through auction of the collateralized assets or transfer of title of the collateralized asset through the Court order or out of court settlement.
- The Company expects recovery of approximately Rs.100 to 150 million in the next two financial years.

1.5 Expected NBF sector reforms / regime

The requirement of minimum equity is expected to be resolved with the support from group companies and company may apply on the same basis for renewal of license." It is pertinent to mention that as per new rules of NBF sector; 'SECP' has reduced minimum capital requirements to Rs 100 million (for investment financial services and leasing licences)." Upon renewal of license, the company will be able to fulfill a procedural formality." The management is confident that after renewal of the license, induction of foreign or local partner will be possible and / or the company may also evaluate the option of merger or acquisition.

1.6 Future prospects

During current year recovery of Rs.7.897 million has been made against lease and advances portfolio and further recovery is also expected which will provide cash flow cushion within next two - three years. The management is confident that it will manage to continue writing back provisions as a result of expected recoveries which will result in better cash flows. Administrative expenses have been curtailed and departments have been restructured and rationalized / right sized to reduce the payroll cost and overhead expenses. The proposed reduction in financing cost through restructuring / settlements with the lenders will assist in further reducing the losses and improving the equity. This will make the Company attractive for equity participation / merger alongwith an opportunity for the existing shareholders to inject additional equity. The sponsoring directors are committed to subscribe their portion of right issue. The management is confident that the Company will be able to resume its operations upon renewal of licences and take advantage of deferred tax by writing new lease facilities.



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1.7 Cases under litigation

These are disclosed in note no.34.

1.8 Credit rating

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

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

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

- The company has reversed markup accrued on long term loan from Commercial Banks upon restructuring amounting to Rs. 7.27 million as waiver of such markup under restructuring agreement.
- The company has settled long term loan from UBL and ABL amounting to Rs. 11.14 millions and Rs.9.2 millions respectively.
- Settlement issue of Loan amounting to Rs.50.27 is explained in note no. 31.1.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

3.2 Basis of measurement

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

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

- Amendments to standards and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations of approved accounting standards are only effective for the period ended 30 June 2019. Except as explained otherwise, these standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases:



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Standard or Interpretation

Effective date (annual periods beginning on or after)

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	01 January 2018
IFRS 4 'Insurance Contracts': Applying IFRS 9 with IFRS 4	01 January 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	01 January 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	01 January 2018
IFRS 9 'Financial Instruments'	Annual period ending on or after June 30, 2019
IFRS 15 'Revenue from Contracts with Customers'	01 July 2018

The above standards and amendments are not expected to have any material impact on the company's financial statements in the period of initial application except for IFRS 15 - Revenue from Contracts with Customers. The company is currently evaluating the impact of the said standard. In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

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

IFRS 1 - First Time Adoption of International Financial Reporting Standards

IFRS 14 - Regulatory Deferral Accounts

IFRS 17 - Insurance Contracts

The company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

- Amendments to standards and IFRS interpretations that are not yet effective

The following amendments to accounting standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Effective from accounting period beginning on or after

Amendments to IFRS 3 'Business Combinations': Amendments to clarify the definition of a business.	January 1, 2020
Amendments to IFRS 9 'Financial Instruments': Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 1, 2019



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<i>Effective from accounting period beginning on or after</i>
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 16 'Leases'	January 1, 2019
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of material.	January 1, 2020
Amendments to IAS 19 'Employee Benefits': Plan amendments, curtailments or settlements.	January 1, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures': Long-term interests in associates and joint ventures.	January 1, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020

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

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property and equipment

Owned

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

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

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

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

5.2 Intangibles assets

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

Golf Club Membership Card

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

5.3 Investment property

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

5.4 Net investment in lease finance

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

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

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

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

5.6 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

- IFRS 9 'Financial Instruments'

This standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been reclassified accordingly.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

a) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at --FVTPL and FVOCI.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

- Reclassification of financial assets under IFRS 9 'Financial Instruments'

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2018 and 01 July 2017.

	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original amount</i>	<i>New amount</i>
<i>As at June 30, 2018</i>				
Defence saving certificate	Held to maturity	Amortized cost	349,786	349,786
Long term finances	Loans & receivable	Amortized cost	254,505,140	254,505,140
Net investment in finance lease	Loans & receivable	Amortized cost	505,623,681	505,623,681
Long term deposits	Loans & receivable	Amortized cost	2,500,000	2,500,000
Short term investments	Availavle for sale	FVOCI	2,149,530	2,149,530
Short term investments	Held for trading	FVTPL	17,569,149	17,569,149
Placements and finances	Loans & receivable	Amortized cost	258,170,023	258,170,023
Investment held with Nazir SHC	Availavle for sale	FVOCI	42,377,778	42,377,778
Loans and advances	Loans & receivable	Amortized cost	1,320,036	1,320,036
Deposits and prepayments	Loans & receivable	Amortized cost	26,673	26,673
Mark-up accrued	Loans & receivable	Amortized cost	46,856	46,856
Other receivables	Loans & receivable	Amortized cost	6,000,000	6,000,000
Cash and bank balances	Loans & receivable	Amortized cost	90,515,101	90,515,101
			<u>1,181,153,752</u>	<u>1,181,153,752</u>
<i>As at July 01, 2017</i>				
Defence saving certificate	Held to maturity	Amortized cost	315,564	315,564
Long term finances	Loans & receivable	Amortized cost	255,034,342	255,034,342
Net investment in finance lease	Loans & receivable	Amortized cost	513,220,182	513,220,182
Long term deposits	Loans & receivable	Amortized cost	4,139,822	4,139,822
Short term investments	Availavle for sale	FVOCI	33,411,110	33,411,110
Short term investments	Held for trading	FVTPL	79,246,555	79,246,555
Placements and finances	Loans & receivable	Amortized cost	262,100,023	262,100,023
Loans and advances	Availavle for sale	Amortized cost	2,469,419	2,469,419
Deposits and prepayments	Loans & receivable	Amortized cost	35,019,196	35,019,196
Mark-up accrued	Loans & receivable	Amortized cost	152,869	152,869
Other receivables	Loans & receivable	Amortized cost	6,000,000	6,000,000
Cash and bank balances	Loans & receivable	Amortized cost	4,084,279	4,084,279
			<u>1,195,193,361</u>	<u>1,195,193,361</u>

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial assets.



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

b) Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended June 30, 2019.

c) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following basis:

- 12 - months ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure provision against financial assets on the basis of lifetime ECLs.

Lifetime ECL is only recognized if the credit risk at the reporting date has increased significantly relative to the credit risk at initial recognition. Further, the Company considers the impact of forward looking information (such Company's internal factors and economic environment of the country of customers) on ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive). . Since these assets are short term in nature, therefore no credit loss is expected on these balances.

Presentation of impairment

Provision against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impact of the new impairment model

For assets within the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements on the reporting date does not have a material impact on provision for doubtful debts measured under IAS 39.

- IFRS 15 - Revenue from Contracts with Customers

This standard was notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 1, 2018. IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction Contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions involving Advertising Services. IFRS 15 provides a single, principle-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations in a contract are satisfied.

5.7 Financial assets

Initial Measurement

The Company classifies its financial assets into the following categories:

- at fair value through profit and loss
- at amortized cost
- at fair value through other comprehensive income

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

a. Financial assets at fair value through profit and loss

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

b. Loans and receivables

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

c. At amortized cost

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

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

d. At fair value through Other Comprehensive Income

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

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

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

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

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

Investment in associates

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

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate. The profit and loss account reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

De-recognition

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

5.8 Long term finances and loans

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

5.9 Sale and repurchase agreements

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

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

5.10 Staff retirement benefits

Defined contribution plans

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

5.11 Borrowing costs

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

5.12 Provisions

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

5.13 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation or minimum tax under section 113 or alternate corporate tax under section 113C of ITO, 2001 whichever is higher after taking into account applicable tax credit, rebates and exemption available if any. For income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for current tax also includes adjustment for prior years or otherwise considered necessary for such year.

Deferred

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

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

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

5.14 Impairment

Non-financial assets

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

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Financial assets other than covered under IFRS 9

Loans and net investment in finance lease

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

5.15 Revenue recognition

- The Company follows the financing method in accounting for recognition of finance lease contracts. Under this method, the unearned income i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the term of the lease applying the annuity method, so as to produce a constant rate of return on net investment in the finance leases. Front end fee, documentation charges, gain / losses on termination of lease contracts, commitment fee and other commissions, if any, are taken to income when earned. Revenue from finance lease is not accrued when rent is past due by ninety days or more.
- Mark-up / interest on long term finances, mortgage finances, long term loans, lease and murabaha finances are recognised on a time proportion basis except that mark-up / interest / return on classified loans and investments are recognised on receipt basis.
- Return on preference shares and term finance certificate is recognized using the effective interest method.
- Reversal of provision is recognized as per requirement of NBFC regulations.
- Dividend income from investments is recognized when the right to receive the dividend is established.
- Gain / loss on sale of investments is taken to income in the period in which it arises.
- Unrealized gains / losses arising on the remeasurement of securities classified as financial assets at fair value through profit or loss are included in the statement of profit and loss in the year in which they arise.
- Income on bank deposits are recognized on accrual basis.
- Rental income on investment property is recognized on an accrual basis.
- Guarantee income is recognized on time proportion basis.
- Consultancy, corporate advisory, trusteeship and custodian fees are recognized as and when services are provided.

5.16 Foreign currency transactions and translation

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

5.17 Financial instruments

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

5.18 Offsetting

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

5.19 Fiduciary assets

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

5.20 Assets classified as held for sale

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

5.21 Cash and cash equivalents

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

5.22 Earnings per share

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

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

5.23 Segment reporting

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

5.24 Dividend distributions and appropriations

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

6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

7 PROPERTY AND EQUIPMENT

7.1 The following is the statement of property and equipment

Description	Furniture and fixtures	Vehicles	Office equipment	Total
	----- Rupees -----			
<i>Year ended June 30, 2019</i>				
Opening net book value (NBV)	42,906	221,238	74,691	338,835
Additions (at cost)	-	-	-	-
	42,906	221,238	74,691	338,835



FIRST DAWOOD INVESTMENT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

<i>Description</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Total</i>
	----- Rupees -----			
Disposals				
Cost	-	-	-	-
Depreciation	-	-	-	-
Net Book value	-	-	-	-
Depreciation charge	(17,121)	(74,091)	(25,400)	(116,612)
Closing net book value	25,785	147,147	49,291	222,223
Gross carrying value basis				
Cost	171,235	4,136,150	3,644,189	7,951,574
Accumulated depreciation / impairment	(145,451)	(3,989,006)	(3,594,894)	(7,729,351)
Net book value	25,784	147,144	49,295	222,223
<i>Year ended June 30, 2018</i>				
<i>Net carrying value basis</i>				
Opening net book value (NBV)	60,024	612,024	58,087	730,135
Additions (at cost)	-	97,000	35,000	132,000
	60,024	709,024	93,087	862,135
Disposals				
Cost	-	-	(3,164,000)	(3,164,000)
Depreciation	-	-	3,164,000	3,164,000
Net Book value	-	-	-	-
Depreciation charge	(17,118)	(487,786)	(18,396)	(523,300)
Closing net book value (refer note 5.1)	42,906	221,238	74,691	338,835
Gross carrying value basis				
Cost	171,235	4,136,150	3,644,189	7,951,574
Accumulated depreciation / impairment	(128,329)	(3,914,912)	(3,569,498)	(7,612,739)
Net book value	42,906	221,238	74,691	338,835
Depreciation rate % per annum	10%	20%	33.33%	
8 INTANGIBLES ASSETS	Note	2019 Rupees	2018 Rupees	
Golf Club Membership Card	8.1	783,478	883,528	
8.1 Golf Club Membership Card				
Opening net book value		883,528	983,578	
Addition		-	-	
Amortization charge		(100,050)	(100,050)	
Closing net book value		783,478	883,528	
As at June 30, 2019				
Cost		1,500,000	1,500,000	
Accumulated amortization		(716,522)	(616,472)	
		783,478	883,528	
Rate of amortization (%)		6.67%	6.67%	



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

9 INVESTMENT PROPERTIES	Note	2019 Rupees	2018 Rupees
Balance at beginning of the year		62,805,000	27,070,000
Transfer from/(to) asset classified as held for sale		-	25,103,000
Gain on fair value adjustment	9.1	<u>(1,995,000)</u>	10,632,000
Balance at end of the year		<u>60,810,000</u>	<u>62,805,000</u>

9.1 Fair value of the investment properties as at June 30, 2019 has been determined by the professional valuer which is registered on the panel of Pakistan Banks' Association (PBA) and NBFBI & Modaraba Association of Pakistan. The main criteria of valuation for the assessment of investment properties include:

- property brokers, dealers and estate agents are contacted to ascertain the asking and selling prices for the properties of the same nature in the immediate neighborhoods and adjoining areas.
- properties which are recently sold and their respective selling prices.
- properties which are offered for sale and their asking price in the prevailing market.
- nature of property.

9.2 The FSVs of Patoki land is Rs.24.826 millions and office no. 5B Lakson Square Building is Rs.20.844 millions.

10 NET INVESTMENT IN FINANCE LEASE	Note	2019 Rupees	2018 Rupees
Net investment in finance lease	10.1	500,178,366	505,623,681
Provision for potential lease losses	10.2	<u>(384,002,009)</u>	(381,074,829)
		116,176,357	124,548,852
Current portion shown under current assets	10.3	<u>(103,277,842)</u>	(107,159,244)
		<u>12,898,515</u>	<u>17,389,608</u>

10.1 Particulars of net investment in finance lease	Note	Less than one year	More than one year and less than five years	Total
		----- Rupees -----		
2019				
Minimum lease payments receivable	10.1.1	544,360,782	2,898,515	547,259,297
Residual value of leased assets		<u>51,167,875</u>	<u>10,000,000</u>	<u>61,167,875</u>
		595,528,657	12,898,515	608,427,172
Mark-up held in suspense		<u>(108,248,806)</u>	-	<u>(108,248,806)</u>
Net investment in lease finance		<u>487,279,851</u>	<u>12,898,515</u>	<u>500,178,366</u>
2018				
Minimum lease payments receivable	10.1.1	547,622,184	7,389,608	555,011,792
Residual value of leased assets		<u>51,167,875</u>	<u>10,000,000</u>	<u>61,167,875</u>
		598,790,059	17,389,608	616,179,667
Mark-up held in suspense		<u>(110,555,986)</u>	-	<u>(110,555,986)</u>
Net investment in lease finance		<u>488,234,073</u>	<u>17,389,608</u>	<u>505,623,681</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- 10.1.1** As at June 30, 2019, the principal outstanding against non-performing lease portfolio as per the criteria prescribed in NBFC Regulations, 2008 amounted to Rs.432.71 million (2018: Rs. 434.30 million). The forced sale value benefit considered against these non-performing lease portfolio was Rs48.71 million (2018: Rs 53.23 million).
- 10.1.2** The lease finances carry mark up ranging from six month KIBOR plus spread of 2% to 5% (2018: six month KIBOR plus spread of 2% to 5%) per annum having maturity upto 5 years and are secured against leased assets.

	Note	2019 Rupees	2018 Rupees
10.2 Provision for potential lease losses			
Balance at beginning of the year		381,074,829	418,783,376
Charge / (reversal) for the year - net	40	2,927,180	(37,708,547)
Balance at end of the year		<u>384,002,009</u>	<u>381,074,829</u>
10.3 Current portion of finance lease - net of provision			
Finance lease	10.1	487,279,851	488,234,073
Provision for potential lease losses	10.2	(384,002,009)	(381,074,829)
	15	<u>103,277,842</u>	<u>107,159,244</u>
11 LONG TERM INVESTMENTS			
<i>Investments in:</i>			
- Associates - equity method	11.1 - 11.4	143,525,923	151,564,495
- Defence Saving Certificates - at amortized cost		387,720	349,786
		<u>143,913,643</u>	<u>151,914,281</u>
11.1 Movement of investment in associates			
Balance at beginning of the year		151,564,495	202,865,262
Share of profit / (loss)	42	(4,142,352)	6,140,443
Disposal of investment		-	(19,471,444)
Transferred to investment held with Nazir SHC	11.3	-	(31,261,426)
Share of reversal of deficit on revaluation of at FVOCI recognised in other comprehensive income		(3,896,220)	(6,708,340)
Balance at end of the year		<u>143,525,923</u>	<u>151,564,495</u>

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

	Holding %	Registered Address	Place of Incorporation	Operational Status	Period ended	Basis of financial statements	Total assets	Total liabilities	Equity	Revenue	(Loss) / profit after tax
2019											
786 Investment Limited	15.00	G3, Ground Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000	Pakistan	Operational	Dec 31, 2018	Unaudited	230,244,665	21,502,239	208,742,426	4,383,266	(33,112,170)
Chief Executive: Tara Uzra Dawood											
B.R.R. Investments (Private) Limited	41.63	18th Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000	Pakistan	Operational	June 30, 2019	Unaudited	163,786,132	9,828,344	153,957,788	11,165,904	(1,250,600)
Chief Executive: Ayaz Dawood											



FIRST DAWOOD INVESTMENT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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Holding %	Registered Address	Place of Incorporation	Operational Status	Period ended	Basis of financial statements	Total assets	Total liabilities	Equity	Revenue	(Loss) / profit after tax	
						----- Rupees -----					
Dawood Family Takaful Limited Chief Executive: Mr. Nasir Mehmood	21.18	1701-A, Saima Trade Tower, I. I. Chundrigar Road, Karachi 74000	Pakistan	Operational	June 30, 2019	Unaudited	4,648,730,930	4,265,599,282	383,131,648	26,964,757	3,554,162
<i>2018</i>											
786 Investment Limited (Formerly Dawood Capital Management Limited) Chief Executive: Tara Uzra Dawood	15.00	G3, Ground Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000	Pakistan	Operational	June 30, 2018	Audited	262,566,543	18,601,331	243,965,212	11,346,876	(27,898,122)
B.R.R. Investments (Private) Limited Chief Executive: Ayaz Dawood	41.63	18th Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000	Pakistan	Operational	December 31, 2017	Unaudited	176,584,339	9,681,225	166,903,114	27,786,661	24,936,339
Dawood Family Takaful Limited Chief Executive: Mr. Nasir Mehmood	21.18	1701-A, Saima Trade Tower, I. I. Chundrigar Road, Karachi 74000	Pakistan	Operational	March 31, 2018	Unaudited	3,834,751,580	3,474,361,754	360,389,826	8,065,347	(9,791,450)

11.2 Carrying value of investment in associates

2019	2018	Name of associate	2019	2018
Number of Shares			Rupees	Rupees
2,246,070	2,246,070	786 Investment Limited	31,311,365	36,817,096
4,762,100	4,762,100	B.R.R. Investments (Private) Limited	64,093,214	69,482,428
9,420,000	9,420,000	Dawood Family Takaful Limited	48,121,344	45,264,971
			143,525,923	151,564,495

11.3 This represents 6,466,010 shares of Dawood Family Takaful Limited which have been pledged with Nazir, High Court of Sindh in pursuant to litigation with HBFC. Refer Note- 18.

11.4 As per Regulation 19 (g) and 17 (2) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), an NBFC shall not hold shares of an amount exceeding 15% of the paid-up share capital of that company or 15% of its own equity, whichever is less. As at June 30, 2019, the Company holds 41.63% shares of B.R.R. Investments (Private) Limited and 21.18% shares of Dawood Family Takaful Limited. The management is in process of taking steps to reduce investments in these associates in order to comply with the said requirements of NBFC Regulations.

	Note	2019 Rupees	2018 Rupees
12 LONG TERM FINANCES			
Term finance facilities - secured	12.1 - 12.3	253,825,146	254,505,140
Provision for doubtful finances	12.4	(131,364,369)	(162,879,805)
		122,460,777	91,625,335
Current portion shown under current assets	15	(122,460,777)	(91,625,335)
		-	-



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
12.1 The reconciliation of long term finance is as under:		
Balance at beginning of the year	254,505,140	255,034,342
Received during the year	(679,994)	(529,202)
Balance at end of the year	253,825,146	254,505,140
12.2 The mark-up / profit rates on these facilities ranges from 13.5% to 15.1% (2018: 13.5% to 15.1%) per annum subject to change in SBP discount rate and KIBOR. These are secured against mortgage of immovable properties.		
12.3 As at June 30, 2019, long term finance of Rs.253.03 million (2018 : Rs. 253.46 million) have been placed under non-performing status. The forced sales value benefits considered against these non-performing finances amounted to Rs.121.67 million (2018 : Rs. 90.58 million).		
	2019 Rupees	2018 Rupees
12.4 Particulars of provision for doubtful receivables		
Balance at beginning of the year	162,879,805	177,494,611
Provision during the year	3,910,000	29,539,194
Reversals for the year - net	40 (35,425,436)	(44,154,000)
Balance at end of the year	131,364,369	162,879,805
13 LONG TERM DEPOSITS		
Security deposit - NCCPL	-	2,500,000
14 DEFERRED TAX ASSET - NET		
Deferred tax asset - net	389,351,187	396,707,704
14.1 Deductible temporary differences arising in respect of:		
Provision for lease losses and doubtful receivables	278,646,286	287,922,572
Alternate corporate tax	15,813,337	11,213,042
Minimum tax	19,981	29,926
Share of Profit from associate	137,555	(458,556)
Carry forward of tax losses	94,734,029	98,000,720
Net deferred tax asset-recognized	389,351,187	396,707,704
14.2 Deferred tax asset is recognized in respect of carry forward assessed tax losses / deductible temporary differences to the extent it is probable that there will be future taxable profits against which these losses / deductible temporary differences can be utilized. The Company has prepared a five year business plan which has been approved by the Board of Directors. The said plan involves certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. The determination of future taxable profit is directly related and sensitive to certain key assumptions such as recoveries of outstanding lease and long term finances, resumption of licenses, expected return on investments and bank balances etc. Any change in the key assumptions may have an effect on the realizability of the deferred tax asset. The Board and management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and deferred tax asset will be realized in the future.		



FIRST DAWOOD INVESTMENT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
15 CURRENT & OVERDUE PORTION OF NON-CURRENT ASSETS			
Net investment in finance lease	10	103,277,842	107,159,244
Long-term finances	12	122,460,777	91,625,335
		<u>225,738,619</u>	<u>198,784,579</u>
16 SHORT TERM INVESTMENTS			
At amortised cost			
Term finance certificates / sukuk bonds	16.1	-	1,771,862
Unquoted shares	16.2	-	-
Preference shares	16.3	377,668	377,668
		<u>377,668</u>	<u>2,149,530</u>
Less: Provision for impairment in preference shares		<u>(377,668)</u>	<u>(377,668)</u>
		<u>-</u>	<u>1,771,862</u>
At fair value through profit or loss			
Quoted equity securities	16.4	757,328	17,569,141
		<u>757,328</u>	<u>17,569,141</u>
16.1 Term finance certificates / sukuk bonds			
2019			
2018			
Number of Certificates / Bonds			
		Quoted	
1,976	1,976	Invest Capital Investment Bank Ltd.	9,880,000
82	82	Trust Investment Bank Limited	186,276
			<u>10,066,276</u>
		Un-quoted	
1,023	1,023	New Allied Electronics (Pvt.) Ltd.	4,348,775
		Un-quoted-Related party	
-	13,727	BRR Guardian Modaraba	-
			<u>1,771,862</u>
Impairment in value of investments	16.1.2	<u>(14,415,051)</u>	<u>(14,415,051)</u>
		<u>-</u>	<u>1,771,862</u>
16.1.1 BRR Guardian Modaraba-Related party			
Gross		1,771,862	12,468,230
Less: Redemption		<u>(1,771,862)</u>	<u>(10,696,368)</u>
		<u>-</u>	<u>1,771,862</u>
16.1.2 Movement in provision for impairment in value of investments			
Balance at beginning of the year		14,415,051	14,415,051
Reversal during the year		-	-
Balance at end of the year		<u>14,415,051</u>	<u>14,415,051</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Particulars	Maturity Date
Quoted	
Invest Capital Investment Bank Limited Chief Executive: Mr. Muhammad Asif	September 05, 2013
Trust Investment Bank Limited Chief Executive: Mr. Shahid Iqbal	July 04, 2013
Un-quoted	
Gharibwal Cement Limited Chief Executive: M. Tauseef Paracha	September 01, 2012
New Allied Electronics (Private) Limited Chief Executive: Mr. Mian Pervaiz	November 01, 2012
The Company has made required provision against all these outstanding TFCs.	

16.1.4 TFCs of Invest Capital Investment Bank Limited amounting to Rs.9.88 million (2018: Rs. 9.88 million) have been pledged with a DFI against the guarantee provided to Asian Development Bank on behalf of the Company.

16.1.5 TFCs aggregated to Rs.4.54 million (2018: Rs. 4.54 million) have been pledged with Nazir, High Court of Sindh in pursuant to the litigation with one of the lenders of the Company.

16.2 Un-quoted equity securities

Fully paid ordinary shares of Rs.10 each:

2019	2018		2019	2018
Number of Shares	Number of Shares	Note	Rupees	Rupees
1,477,823	1,477,823	Al Baraka Bank Pakistan Limited	-	24,950,489
2,518,454	2,518,454	First Pakistan Securities Ltd.	36,000,000	36,000,000
			36,000,000	60,950,489
			(36,000,000)	(36,000,000)
		Impairment loss on First Pakistan Securities Limited	-	-
		Unrealised loss on remeasurement of investments	16.2.3	-
		Transferred to investment held with Nazir SHC	16.2.1	(24,950,489)
			-	-

16.2.1 During the year ended 30 June 2018, these shares have been transferred to investment held with Nazir SHC details of which are provided in note 18.

	Note	2019	2018
		Rupees	Rupees
16.2.3 Movement in unrealized loss on remeasurement of investments			
Balance at beginning of the year		-	(4,385,277)
Transferred to investment held with Nazir SHC	16.2.1	-	4,385,277
Balance at end of the year		-	-

16.3 Preference shares

2019	2018		2019	2018
Number of Shares	Number of Shares		Rupees	Rupees
		Quoted		
75,500	75,500	Azgard Nine Ltd.	377,668	377,668
		Less: Provision for impairment	(377,668)	(377,668)
			-	-



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

16.3.1 These represent cumulative redeemable convertible preference shares carried dividend at the rate of 0% (2018: 0%) per annum. These were matured on November 21, 2010. However, due to default in repayment at maturity dates, full provision has been made against these preference shares.

16.4 Quoted equity securities

Fully paid ordinary shares of Rs.10 each:

2019	2018		2019	2018
Number of Shares			Rupees	Rupees
-	8,600	Allied Bank Limited	-	887,090
8,255	25,000	Bank of Punjab	75,533	301,750
-	45,000	Byco Petroleum Pakistan Limited	-	549,000
-	3,000	Crescent Steel & Allied Product	-	273,510
4,036	4,036	Dawood Hercules Corporation Limited	448,965	451,548
-	110,000	Dost Steels Limited	-	870,100
648	11,500	GlaxoSmithKline Pakistan Limited	61,774	2,016,568
-	3,450	Pakistan Limited	-	1,397,423
-	98	Habib Bank Limited	-	16,311
-	5,000	The Hub Power Company Limited	-	460,800
-	71,500	K-Electric Limited	-	406,120
-	56,251	Loads Limited	-	1,753,906
-	20,000	Lotte Chemical Pakistan Limited	-	239,200
-	4,501	Murree Brewery Company Limited	-	3,263,225
-	2,849	Matco Foods Limited	-	107,065
-	2,000	National Refinery Limited	-	886,020
-	321	Pakistan Oxygen Limited (Formerly Linde Pakistan Limited)	-	77,040
-	4,020	Pakistan Petroleum Limited	-	863,898
-	7,500	Pakistan Telecommunication Company Limited	-	85,800
1,975	-	Pioneer Cement	44,734	-
-	64,624	Pakistan International Bulk	-	733,482
-	17,000	PICIC Growth Fund	-	518,670
-	500	Service Industries Limited	-	392,490
-	270	Siemens Pakistan Engineering Co. Ltd.	-	274,117
-	1,000	Shahtaj Textile Limited	-	79,990
-	4	The Searle Company Limited	-	1,358
-	39,940	Silkbank Limited	-	54,318
3,753	-	National Bank of Pakistan	126,322	-
-	17,793	Treet Corporation Limited	-	608,342
			757,328	17,569,141

17 PLACEMENTS AND FINANCES

	Note	2019 Rupees	2018 Rupees
Financing against shares	17.1	155,185,306	155,185,306
Provision for doubtful finances	17.2.1	(155,185,306)	(155,185,306)
Short-term finances - secured	17.3 & 17.3.1	11,300,000	11,300,000
Provision for doubtful finances	17.3.2	(11,300,000)	(11,300,000)
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful finance		(5,000,000)	(5,000,000)
Murabaha / musharika finances - secured	17.4	86,684,717	86,684,717
Provision for doubtful finances	17.4.1	(47,659,304)	(47,659,304)
		39,025,413	39,025,413
		39,025,413	39,025,413



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

	Note	2019 Rupees	2018 Rupees
17.2.1 Movement in provision for doubtful financing against shares			
Balance at beginning of the year		155,185,306	155,185,306
(Written off) during the year		-	-
Received during the year		-	-
Balance at end of the year		155,185,306	155,185,306

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

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

Balance at beginning of the year		11,300,000	11,300,000
Written off during the year	40	-	-
Balance at end of the year		11,300,000	11,300,000
Movement in provision for doubtful financing against shares			
Balance at beginning of the year		11,300,000	11,300,000
Written off during the year		-	-
Balance at end of the year		11,300,000	11,300,000

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

17.4.1 Movement in provision for doubtful murabaha / musharika finances

Balance at beginning of the year		47,659,304	48,589,304
(Reversal) / charge for the year		-	(930,000)
Balance at end of the year		47,659,304	47,659,304

17.5 As at June 30, 2019, an amount of Rs 258.17 million (June 30, 2018: Rs 258.17 million) related to finances has been placed under non performing status. Provision against non performing finances is made after netting off forced sale values of the collateral assets which amounted to Rs.39.03 million (June 30, 2018 : Rs.39.03 million).

18 INVESTMENT HELD WITH NAZIR SHC AT FVOCI

2019	2018		2019	2018
Number of Shares			Rupees	Rupees
6,466,010	6,466,010	Dawood Family Takaful Limited	31,070,457	31,261,426
1,477,823	1,477,823	Al Baraka Bank Pakistan Limited	11,307,321	24,950,489
			42,377,778	56,211,915
		Remeasurement gain / (loss) on investment ABPL	201,263	(13,643,168)
		Share of gain / (loss) from associates DFTL	1,960,652	(190,970)
			44,539,693	42,377,778

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
18.2 Movement in impairment loss on investment			
Transfer from short term investment		-	(4,385,277)
Impairment loss during the year	18.2.1	<u>201,263</u>	<u>(9,257,891)</u>
Balance at the end of year		<u><u>201,263</u></u>	<u><u>(13,643,168)</u></u>
18.2.1 Impairment loss is recorded on the breakup value of Rs. 7.7875 per share based on unaudited financial statement as on March 31, 2019 as latest available.			
	Note	2019 Rupees	2018 Rupees
19 ADVANCE AGAINST LEASE COMMITMENTS			
Considered doubtful	19.1	<u>35,696,247</u>	35,696,247
Provision for doubtful advances		<u><u>(35,696,247)</u></u>	<u><u>(35,696,247)</u></u>
		<u>-</u>	<u>-</u>
19.1 The Company issued Letter of comforts on behalf of two clients amounting of Rs. 20.0M and 15.6M and made payment to Banks on their demand. Subsequently, both clients defaulted in payment of broken period markup. Therefore, the advance against lease could not be transferred to Finance lease.			
	Note	2019 Rupees	2018 Rupees
20 LOANS AND ADVANCES			
Considered good			
Loan to employee	20.1	<u>2,080,207</u>	1,154,748
Others		<u>120,788</u>	165,288
		<u><u>2,200,995</u></u>	<u>1,320,036</u>
Considered - Doubtful			
Advance rent		<u>172,925</u>	172,925
Less : Provision for doubtful advances		<u><u>(172,925)</u></u>	<u><u>(172,925)</u></u>
		<u>-</u>	<u>-</u>
		<u><u>2,200,995</u></u>	<u><u>1,320,036</u></u>
20.1 This includes loan to key management personell. The maximum amount outstanding at the end of any month during the period stands at Rs. 2.07 millions.			
	Note	2019 Rupees	2018 Rupees
21 TAX REFUND DUE FROM GOVERNMENT			
Opening balance		-	7,023,090
Add: Tax paid during the year		<u>3,146,131</u>	<u>906,714</u>
		<u>3,146,131</u>	<u>7,929,804</u>
Less: provision for taxation		<u>(2,573,758)</u>	<u>(14,902,684)</u>
Transfer to provision for taxation	33	<u><u>(572,373)</u></u>	<u>6,972,880</u>
		<u>-</u>	<u>-</u>
22 PREPAYMENTS		<u><u>23,332</u></u>	<u>26,673</u>
23 MARKUP ACCRUED			
Placement and finances		<u>16,365</u>	-
Short term investment		<u>-</u>	<u>46,856</u>
		<u><u>16,365</u></u>	<u><u>46,856</u></u>



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
24 OTHER RECEIVABLES			
<i>Considered good</i>			
Receivable from nazir SHC		-	6,000,000
Rent Receivable		466,020	-
<i>Considered doubtful</i>			
Decretal amount receivable	24.1	32,302,430	32,302,430
Receivable against lease termination		70,332,130	70,375,530
Receivable against KSE Card transaction-net	24.2	45,515,114	45,515,114
Accounts receivable - others		5,295,096	5,295,096
Brokerage receivable		1,197,831	636,660
		155,108,621	154,124,830
Less : Provision for doubtful receivables	24.3	(154,091,430)	(154,124,830)
		<u>1,017,191</u>	<u>6,000,000</u>
24.1	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.		
24.2	The Company had purchased Pakistan Stock Exchange Limited (PSX) membership card on behalf of one of its customer amounting to Rs.149.7 million. The customer paid an advance amounting Rs.104.2 million to the Company for this purchase which is netted off against this receivable. Recently, Mr. Hassan Naqvi fraudulently changed the Form-29 on 08-10-2015; removed First Dawood Group Nominee (Mr. Mohammad Ahmed), appointed some Mr. Syed Mohsin Hasan in place of Mr. Ahmad and took away the money which was being paid to all brokers of stock exchange by the Chinese company, who has taken-over the management & major stakes of KSE (now Pakistan Stock Exchange). In view of the above, the company had lodged FIR for; fraud, forgery and theft, against Mr. Hassan Naqvi to recover an amount of Rs.212.463M (Rs.152.463 + Rs.60.0M). The Company has made provision against this receivable as a matter of prudence. As at June 30, 2019 there was no change in the status of case as it was fixed for hearing of application.		
		2019	2018
24.3 Movement in provision for doubtful receivables	Note	Rupees	Rupees
Balance at beginning of the year		154,124,830	159,709,830
(Reversal) / charge during the year	41	(33,400)	(5,585,000)
Balance at end of the year		<u>154,091,430</u>	<u>154,124,830</u>
25 CASH AND BANK BALANCES			
With banks - local currency			
- In deposit accounts	25.1	284,923	1,085,542
- In current accounts		73,817,187	89,245,162
With banks - foreign currency			
- In current accounts		240,868	184,397
		<u>74,342,978</u>	<u>90,515,101</u>
25.1	These represent deposits maintained with various commercial banks and carry profit at the rates ranging between 4.52% to 7% (2018 : 4.52% to 7%).		



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

26 SHARE CAPITAL

26.1 Authorized

2019	2018		2019	2018
Number of Shares		Note	Rupees	Rupees
75,000,000	75,000,000	Ordinary shares of Rs.10 each	750,000,000	750,000,000
75,000,000	75,000,000	Preference shares of Rs.10 each	750,000,000	750,000,000
150,000,000	150,000,000		1,500,000,000	1,500,000,000
150,000,000	150,000,000	Ordinary or preference shares of Rs.10 each	1,500,000,000	1,500,000,000

26.2 Issued, subscribed and paid-up

2019	2018		2019	2018
Number of Shares			Rupees	Rupees
35,685,382	35,685,382	Fully paid ordinary shares of Rs.10 each issued:		
26,491,821	26,491,821	- for cash	356,853,820	356,853,820
85,740,733	85,740,733	- issued as bonus shares	264,918,210	264,918,210
472,087	472,087	- issued against preference and its dividend	857,407,330	857,407,330
148,390,023	148,390,023	- issued on acquisition	4,720,870	4,720,870
			1,483,900,230	1,483,900,230

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

26.2.2 At June 30, 2019 associated undertakings, namely 786 Investment Limited holds 2,382,641 (2018 : 2,382,641), BRR Guardian Modaraba holds 3,342,562 (2018 : 3,342,562) and BRR Investments (Private) Limited holds 490,591 (2018 : 490,591) ordinary shares of the Company.

27 LONG TERM LOANS - Secured

	Note	2019 Rupees	2018 Rupees
Commercial banks	27.1	348,873,673	369,213,673
Current portion shown under current liabilities	29	(253,819,450)	(310,073,673)
		95,054,223	59,140,000
27.1 Reconciliation of commercial bank loans			
Balance at beginning of the year		369,213,673	426,813,673
Repaid / settled during the year		(20,840,000)	(57,600,000)
Balance at end of the year		348,873,673	369,213,673

27.1.1 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.

27.1.2 During the year, the company has restructured long term loan from UBL and ABL resulting in settlement of long term loan from UBL and ABL amounting to Rs. 11.14 millions and Rs.9.2 millions respectively. Remaining liability will be paid in 60 installments starting from the month of May 2019 and April 2019 respectively.

Accordingly loan has been reclassified in long term based on rescheduling / restructuring for the period of 5 years.



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
28 LONG TERM DEPOSITS			
- Security deposits			
Lease deposits	28.1	60,917,863	60,917,863
Current portion shown under current liabilities	29	<u>(50,917,863)</u>	<u>(50,917,863)</u>
		<u>10,000,000</u>	<u>10,000,000</u>
28.1	This represent interest free security deposit received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases.		
29 CURRENT & OVERDUE PORTION OF LONG TERM LIABILITIES			
Long-term loans	27	253,819,450	310,073,673
Long-term lease deposits	28	<u>50,917,863</u>	<u>50,917,863</u>
		<u>304,737,313</u>	<u>360,991,536</u>
30 MARK-UP ACCRUED			
Secured:			
- Long-term loans		-	7,272,000
- Short-term borrowings		<u>25,756,644</u>	<u>25,756,644</u>
		<u>25,756,644</u>	<u>33,028,644</u>
30.1	Markup on BOK has not been charged as this is defaulted loan and currently provision could not be made without determination of default by court.		
31 SHORT TERM BORROWINGS			
Unsecured			
Development Financial Institution	31.1	<u>50,266,346</u>	<u>56,266,346</u>
31.1	The investment of DFI matured on June 30, 2009, but due to liquidity crunch the company could not timely make the repayment. Since, the investing 'Development Financial Institution' (DFI) didn't agree to settle the outstandings against available assets of the company (like other financial institutions), therefore it filed a legal suit. It obtained a decree in March 2016 of Rs.75.0M plus cost of fund, which was payable within a year (i.e. by March 2017) in 12-installments. Further as per the Order of Honorable 'Supreme Court of Pakistan' (SCP), the DFI was to release the cash & securities on a pro-rata basis, which were held by the Nazir of High court in this case. The DFI shared a 'cost of fund' inclusive of; Administrative expenses and Provision costs (in addition to actual cost of funds). In view of the above, the company took assistance of report of the Credit Rating Agency for 'cost of fund' and structured the 'Schedule of Repayment'. The DFI accepted the first cheque (upfront payment), which triggered the repayment schedule, as per the offer and later 2nd installment was also duly paid n cash. Thereafter 11-installments were duly paid by the company i.e. from May 2016 until March 2017, after adjusting the value of securities, which were to be released as per the order of SCP (but were not released by DFI). Later DFI has filed a fresh case in the High court, and Court has passed an order to sell the attached securities in the market.		
32 ACCRUED AND OTHER LIABILITIES	Note	2019 Rupees	2018 Rupees
Accrued liabilities		<u>4,979,770</u>	<u>5,349,014</u>
33 PROVISION FOR TAXATION			
Opening		7,852,497	879,617
(Adjustment) /addition during the year	21	<u>(572,373)</u>	<u>6,972,880</u>
Closing		<u>7,280,124</u>	<u>7,852,497</u>
34 CONTINGENCIES AND COMMITMENTS			
34.1		<u>1,088,000,000</u>	<u>1,088,000,000</u>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

These are guarantees amounting to Rs. 1,088 million (2018: Rs.1,088 million) which were called and are under dispute / litigations which are being defended by the lawyers of the Company. Based on the opinion of legal advisors of the Company, the management is confident that adequate legal grounds are available to defend these cases. Accordingly, no provision is required to be made for the said cases in these financial statements. Brief detail of the guarantees under litigations are as under:

- i. A guarantee of Rs. 245 million was given against a Letter of Commitment and not against a guarantee which is currently in litigation. The beneficiary has restructured its facilities to the customer, hence the amount is 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. 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.
 - iii. A guarantee of Rs 465 million against the repayment of sukuk has been called which is currently under litigation. Based on the opinion of the legal advisors of the Company, the Company has good merits to defend the case as in its view the guarantee never became operational due to default on the part of trustee of the sukuk issue.
 - iv. A guarantee of Rs. 128 million against the bridge finance facility was called as the party in favour of which guarantee was issued defaulted in making payment to the beneficiary bank. The beneficiary has filed winding up petition and suit for recovery in the SHC, which is pending adjudication. According to the Company's legal advisor, the Company has good merits to defend both the recovery case and the winding up petition because the facility status was changed to term loan and also that the recovery Suit against Principal debtor is also pending.
- 34.2** The Commissioner of Income Tax (CIT) disallowed certain expenses while allocating expenses for the assessment year 2001-02 resulting in increase in tax liability by Rs.0.58 million with reduction in lease losses for the year by Rs. 10.75 million. The Company filed appeals in Appellate Tribunal Inland Revenue (ATIR) which were decided in favor of the Company. However, ATIR subsequently recalled its appellate order through Miscellaneous Application filed by the tax department, who insisted that the matter of proration required a review in the light of ATIR's another order. Based on the opinion of the tax advisors of the Company, the management is confident that the matter will ultimately be decided in its favour and accordingly no provision is required to be made in this regard in these financial statements.
- 34.3** 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.
- 34.4** 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.
- 34.5** The matter with House Building Finance Corporation Limited - HBFCL is discussed in Note 31.1 with related liability.
- During the year ended 30 June 2018, company has reversed markup upto Rs.62.49 million based on legal advise for which SECP Order states that it is inappropriate. But, since as per the Legal Opinion; the case has been settled as per the order of Honourable Supreme Court, therefore in the current accounts; the mark up has been determined as per the rate used by an independent firm i.e. JCR-VIS (the credit rating agency). This is an acceptable and justified rate, because it can be verified / recalculated from books of account of HBFCL as well. The sum as per aforesaid calculation i.e. as per JCR continues to reflect as accrued liability in the company's account.
- 34.6** Various other cases which are at hearing stage are also pending for which outcome could not be determined and in various cases compromise has been reached.

	2019 Rupees	2018 Rupees
35 RETURN ON INVESTMENTS AND DEPOSITS		
Income from Brrgm Sukuk	7,352,893	1,189,898
Income on DSCs	37,934	34,222
Profit on bank deposits	539,009	893,260
Dividend income	631,397	805,683
	<u>8,561,233</u>	<u>2,923,063</u>



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	Note	2019 Rupees	2018 Rupees
36 GAIN ON SALE OF SECURITIES - NET			
Gain on NCCPI account closure		-	8,647,949
Gain on future transaction		-	900,825
Gain on units sold dawood income fund		7,367,320	967,994
Other loss(sale of DFTL shares)		-	(494,567)
(Loss) / gain on disposal of investment at FVTPL		(3,497,569)	-
		<u>3,869,751</u>	<u>10,022,201</u>
37 OTHER INCOME			
<i>On non - financial assets</i>			
Fee and commission and other charges		139,024	113,000
Rental income from investment properties		699,030	233,010
Gain on disposal of property and equipment / insurance claim		-	316,400
Others		126,326	368
Exchange gain		56,471	25,904
		<u>1,020,851</u>	<u>688,682</u>
38 ADMINISTRATIVE EXPENSES			
Salaries and benefits	38.1	17,462,621	19,938,710
Directors' meeting fees		790,000	788,657
Rent, rates and taxes		918,400	3,782,551
Legal, professional and consultancy		6,785,478	4,853,713
Vehicles running and maintenance		2,272,171	1,787,204
Fees and subscription		1,504,506	1,484,846
Brokerage		186,358	192,538
Postage and telephone		41,318	98,006
Printing and stationery		144,671	280,305
Insurance		269,487	552,613
Entertainment		96,723	187,569
Advertisement		70,300	35,200
Repairs and maintenance		292,840	572,182
Auditors' remuneration	38.2	1,613,510	1,587,780
Depreciation	7.1	116,612	523,301
Amortization	8.1	100,050	100,050
Share registrar service		322,985	331,000
Other expenses		611,924	366,514
		<u>33,599,954</u>	<u>37,462,739</u>
38.1	It include Rs.1,620,748 (2018 : Rs.1,717,882) in respect of Company's contribution in defined contribution plan.		
		2019	2018
		Rupees	Rupees
38.2 Auditors' remuneration			
Statutory audit fee		866,000	810,000
Half yearly review fee		540,000	540,000
Review report on Code of Corporate Governance		108,000	108,000
Other services and certification		-	50,600
Out of pocket expenses		99,510	79,180
		<u>1,613,510</u>	<u>1,587,780</u>
39 FINANCE COST			
Bank charges		-	3,347



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
40 REVERSAL / (PROVISION) FOR POTENTIAL LEASE AND OTHER LOAN LOSSES - NET			
Net investment in finance lease	10.2	(2,927,180)	37,708,547
Long term finances	12.4	31,515,436	14,614,806
Placements and finances	17	-	930,000
Other receivables	24.3	33,400	5,585,000
Loan and advances	20	-	(172,925)
		<u>28,621,656</u>	<u>58,665,428</u>
40.1 This reflects reversal of excess provision made in earlier years. The correction is made prospectively owing to practical difficulties in identifying period specific amount.			
41 LIABILITIES WRITTEN BACK			
Liabilities written back	41.1	<u>7,272,000</u>	<u>62,492,349</u>
41.1 This represents waiver of markup accrued on long term loans payable to commercial banks resulting from restructuring arrangements made during the year.			
42 SHARE OF (LOSS) / PROFIT FROM ASSOCIATES-NET			
Dawood Family Takaful Limited		4,824,300	(469,184)
786 Investment Limited		(4,800,063)	(3,962,437)
B.R.R. Investment (Private) Limited		(4,166,588)	10,381,094
		<u>(4,142,352)</u>	<u>5,949,473</u>
43 TAXATION			
Current year		(2,573,758)	(14,902,684)
Deferred tax		(7,228,477)	13,053,538
		<u>(9,802,235)</u>	<u>(1,849,146)</u>
Management has provided sufficient tax provision in financial statements in accordance with income tax ordinance, 2001. Following is the comparison of tax provision as per accounts vis a vis tax assessment for last three years:			
		<i>Deemed Assessment Rupees</i>	<i>Provision Rupees</i>
Tax year 2018		13,412,416	14,902,684
Tax year 2017		770,019	879,617
Tax year 2016		2,890,553	3,006,499
44 EARNINGS PER SHARE		2019	2018
Profit after taxation - basic	<i>Rupees</i>	<u>2,080,528</u>	<u>101,625,823</u>
Profit after taxation - diluted	<i>Rupees</i>	<u>2,080,528</u>	<u>101,625,823</u>
Weighted average number of ordinary shares - basic EPS	<i>Numbers</i>	<u>148,390,023</u>	<u>148,390,023</u>
Weighted average number of ordinary shares - diluted EPS	<i>Numbers</i>	<u>148,390,023</u>	<u>148,390,023</u>
Earning per share - basic	<i>Rupees</i>	<u>0.01</u>	<u>0.68</u>
Earning per share - diluted	<i>Rupees</i>	<u>0.01</u>	<u>0.68</u>



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45 REMUNERATION TO CHAIRMAN, DIRECTORS AND EXECUTIVES

	2019			
	Chairman	Chief Executive Officer	Director	Executives
	----- Rupees -----			
Managerial remuneration	-	2,400,000	-	6,414,096
Provident fund	-	-	-	641,412
Utilities	-	20,359	-	3,207,060
Medical	-	2,721	-	127,209
Fuel	-	148,000	-	678,960
Maintenance	-	40,814	-	16,055
Bonus	-	-	-	801,763
	-	2,611,894	-	11,886,555
Number of persons	1	-	1	1

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

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

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

45.3 Disclosures related to Provident Fund

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

	2019	2018
Size of the fund - Total assets	Rs. <u>150,265,414</u>	<u>140,989,915</u>
Cost of investments made	Rs. <u>125,504,159</u>	<u>123,126,639</u>
Percentage of investments made	<u>91.76%</u>	<u>93.49%</u>
Fair value of investments	Rs. <u>137,883,734</u>	<u>131,811,108</u>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The break-up of fair value of investments are:

	2019		2018	
	Rupees	---- %----	Rupees	---- %----
Investment in securities	21,761,709	16%	21,649,765	16%
Government securities	25,000,000	18%	25,000,000	19%
Debt securities	29,491,786	21%	32,300,911	25%
Mutual funds	49,402,007	36%	47,045,646	36%
Bank balances	12,228,232	9%	5,814,786	4%
	137,883,734	100%	131,811,108	100%

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

This includes portion of other group companies noted as follows:

- 1 Dawood Equities
- 2 Crescent Standard Modaraba
- 3 BRR Guardian Modaraba
- 4 B.R.R Investment Private Limited
- 5 786 Investment Limited
- 6 Dawood Global Foundation

45.3.1 The total and average number of employees during the year and as at June 30, 2019 and 2018 respectively are as follows:

	2019	2018
Average number of employees during the year	7	8
Number of employees at year end	7	7

46 TRANSACTIONS WITH RELATED PARTIES

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

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

	2019		2018	
	Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties
	----- Rupees -----			
Investment in associates				
Balance at beginning of the year	-	181,857,927	-	202,865,262
Share of (loss) / profit associates		(4,142,352)	-	6,140,443
Addition of investment in				
Dawood Income Fund	-	300,000,000	-	72,000,000
Disposal of investment in DFTL	-	-	-	(19,471,444)
Disposal of investment in				
Dawood Income Fund	-	(307,367,320)	-	(72,967,994)
Share of unrealised loss from associates on remeasurement of investments in other comprehensive income	-	(1,935,569)	-	(6,708,340)
Balance at end of the year	-	168,412,686	-	181,857,927
Short term loans	965,250	-	965,250	-
Term finance certificates / sukuk bonds	-	-	-	1,771,862



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	2019		2018	
	<i>Key management personnel</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
	----- Rupees -----			
Charge to profit and loss account				
Common expenses paid	-	225,308	-	168,326
Share of loss from associates	-	(4,142,352)	-	(4,142,352)
Rental income	-	-	-	840,000
Rent expense	-	818,400	-	818,400
Takaful expense	-	78,439	-	96,651
Brokerage expense	-	186,358	-	192,538

47 SEGMENT ANALYSIS

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

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

Primary segment information

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

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

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

47.1 Segment information for the year ended June 30, 2019

	Leasing		Investments		Long term finances		Placements and finances		Fee, commission and other income		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
----- Rupees -----												
Segment revenues	2,307,180	2,330,581	12,430,984	12,945,264	17,234	63,484	-	-	1,020,851	688,682	15,776,249	16,028,011
Share of (loss) / profit from associates	-	-	(4,142,352)	5,949,473	-	-	-	-	-	-	(4,142,352)	5,949,473
Segment results	2,307,180	2,330,581	8,288,632	18,894,737	17,234	63,484	-	-	1,020,851	688,682	11,633,897	21,977,484
Reversal of provision for potential lease and other loan losses - net	2,927,180	(37,708,547)	-	-	(31,515,436)	(14,614,806)	-	(930,000)	(33,400)	(5,585,000)	(28,621,656)	(58,838,353)
Unrealized gain / (loss) on remeasurement of investments	-	-	(49,836)	(2,441,441)	-	-	-	-	-	-	(49,836)	(2,441,441)
Impairment on available-for-sale securities	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of investment properties	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities written back	-	-	-	-	-	-	-	-	-	-	7,272,000	62,492,349
Others	-	-	-	-	-	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	-	-	-	-	(33,599,954)	(37,462,739)
Finance cost	-	-	-	-	-	-	-	-	-	-	-	(3,347)
Reversal of provision	-	-	-	-	-	-	-	-	-	-	-	172,925
Loss on disposal of asset classified as held for Sale	-	-	-	-	-	-	-	-	-	-	-	(10,592,960)
(Loss) / profit before taxation											(54,999,446)	(46,673,566)
Taxation											(9,802,235)	(1,849,146)
(Loss) / profit after taxation											(64,801,681)	(48,522,712)
Segment assets	116,176,357	124,548,852	144,670,971	171,255,284	122,460,777	91,625,335	39,025,413	39,025,413	-	-	422,333,518	426,454,884
Unallocated assets	-	-	-	-	-	-	-	-	-	-	573,307,442	604,152,379
Total assets											995,640,960	1,030,607,263
Segment liabilities	137,011,317	155,557,394	170,616,129	213,892,182	144,422,779	114,437,011	46,024,194	48,741,449	-	-	498,074,420	532,628,037
Total liabilities											498,074,420	532,628,037
Net Assets											497,566,540	497,979,226

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

Segment by class of business

Class of business	2019					%
	Leasing operations	Investments	Long-term finances	Placements and finances	Total	
----- Rupees -----						
Chemicals, fertilizers and pharmaceuticals	67,172,921	510,739	46,910,127	-	114,593,787	10.55
Construction	8,879,225	-	97,446,462	-	106,325,687	9.79
Electrical goods	14,779,300	4,348,775	-	-	19,128,075	1.76
Energy, oil and gas	576,620	-	3,077,500	-	3,654,120	0.34
Food, tobacco and beverages	-	-	-	-	-	-
Individuals	37,007,631	-	38,315,610	168,070,023	206,385,633	19.01



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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Class of business	2019					%
	Leasing operations	Investments	Long-term finances	Placements and finances	Total	
	----- Rupees -----					
Cement	-	44,734	-	-	-	-
Steel, engineering and automobile	7,964,447	-	-	-	7,964,447	0.73
Sugar and allied	7,235,404	-	-	-	7,235,404	0.67
Textile	167,088,425	377,668	-	-	167,466,093	15.42
Transport and communication	157,475,340	-	10,521,065	2,100,000	170,096,405	15.67
Financial	-	58,295,389	4,625,235	75,000,000	137,920,624	12.70
Leather and Tanneries	-	-	-	-	-	-
Miscellaneous	79,084,853	-	52,879,141	13,000,000	144,963,994	13.35
	547,264,166	63,577,305	253,775,140	258,170,023	1,085,734,269	100

Class of business	2018					%
	Leasing operations	Investments	Long-term finances	Placements and finances	Total	
	----- Rupees -----					
Chemicals, fertilizers and pharmaceuticals	67,172,921	4,183,136	46,910,127	-	118,266,184	9.26
Construction	8,919,225	-	97,446,462	-	106,365,687	8.33
Electrical goods	14,779,300	4,622,892	-	-	19,402,192	1.52
Energy, oil and gas	576,620	3,165,838	3,077,500	-	6,819,958	0.53
Food, tobacco and beverages	-	3,978,632	-	-	3,978,632	0.31
Individuals	-	-	39,045,610	168,070,023	207,115,633	16.21
	37,007,631	-	-	-	-	-
Steel, engineering and automobile	7,964,447	2,897,516	-	-	10,861,963	0.85
Sugar and allied	11,083,030	-	-	-	11,083,030	0.87
Textile	167,643,425	457,658	-	-	168,101,083	13.16
Transport and communication	159,475,340	819,282	10,521,065	2,100,000	172,915,687	13.54
Financial	-	226,131,260	4,625,235	75,000,000	305,756,495	23.94
Leather and Tanneries	-	392,490	-	-	392,490	0.03
Miscellaneous	80,389,853	-	52,879,141	13,000,000	146,268,994	11.45
	555,011,792	246,648,705	254,505,140	258,170,023	1,277,328,029	100

The Company's operations are restricted to Pakistan only.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
48 FINANCIAL INSTRUMENTS BY CATEGORY		
<i>Financial assets as per balance sheet</i>		
<i>FVTPL</i>		
Quoted equity securities	757,328	17,569,141
<i>At amortized cost / FVOCI</i>		
Term finance certificates	-	1,771,862
Investment held with Nazir SHC at FVOCI	44,539,693	42,377,778
	44,539,693	44,149,640
Net investment in lease finance	116,176,357	124,548,852
Long-term finances	122,460,777	91,625,335
Long term deposits	-	2,500,000
Placements and finances	39,025,413	39,025,413
Loans and advances	2,080,207	1,154,748
Mark-up accrued	16,365	46,856
Other receivables	1,017,191	6,000,000
Cash and bank balances	74,342,978	90,515,101
	355,119,288	355,416,305
	400,416,309	417,135,086
<i>Financial liabilities as per balance sheet</i>		
<i>Financial liabilities measured at amortised cost</i>		
Long term loans	348,873,673	369,213,673
Long term deposits	60,917,863	60,917,863
Mark-up accrued	25,756,644	33,028,644
Short-term borrowings	50,266,346	56,266,346
Accrued and other liabilities	4,979,770	5,349,014
	490,794,296	524,775,540
48.1 Reconciliation of financial assets and liabilities with total assets and liabilities		
<i>Total financial assets</i>	400,416,309	417,135,086
<i>Add: Non financial assets</i>		
Property and equipment	222,223	338,835
Intangibles assets	783,478	883,528
Investment properties	60,810,000	62,805,000
Investment in associates - equity method	143,913,643	151,914,281
Prepayments	144,120	191,962
Deferred tax asset	389,351,187	397,338,572
	595,224,651	613,472,178
Total assets	995,640,960	1,030,607,263
Total financial liabilities	490,794,296	524,775,540
<i>Add: Non financial liabilities</i>		
Taxation	7,280,124	7,852,497
Total liabilities	498,074,420	532,628,037



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

49 FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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

49.1 Market risk

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

49.1.1 Interest rate risk

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

Cash flow and fair value interest rate risks

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

	2019 Rupees	2018 Rupees
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	284,923	1,085,542
Financial liabilities		
Loan term loans and related current portion	348,873,673	369,213,673
Short-term borrowings	50,266,346	56,266,346
	399,140,019	425,480,019
Variable rate instruments at carrying amount:		
Financial assets		
Net investment in lease finance	116,176,357	124,548,852
Long term finances	122,460,777	91,625,335
Placements and finances	39,025,413	39,025,413
	277,662,547	255,199,600

Management of the Company estimates that an increase of 100 basis points in the market interest rate, with all other factors remaining constant, would decrease the Company's loss by Rs. 2.78 million and a decrease of 100 basis points would result in a decrease in the Company's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Effective interest rate	2019							Total
	One year or less	More than one year but less than two years	More than two year but less than three years	More than three year but less than four years	More than four year but less than five years	More than five year	Not exposed to interest rate risk	
	Rupees							
Financial assets								
Net investment in lease finance	8% - 29.17%	103,277,842	12,898,515	-	-	-	-	116,176,357
Long term investments	6.85%-10.845%	-	-	-	-	387,720	143,525,923	143,913,643
Long-term finances	13.5% - 15.1%	122,460,777	-	-	-	-	-	122,460,777
Investment held with Nazir SHC	-	44,539,693	-	-	-	-	-	44,539,693
Placements and finances	8.5% - 24%	39,025,413	-	-	-	-	-	39,025,413
Loans and advances	-	-	-	-	-	-	2,080,207	2,080,207
Mark-up accrued	-	-	-	-	-	-	16,365	16,365
Other receivables	-	-	-	-	-	-	1,017,191	1,017,191
Cash and bank balances	4.52% - 7%	284,923	-	-	-	-	74,058,055	74,342,978
		309,588,648	12,898,515	-	-	-	387,720	543,572,624
Financial liabilities								
Long term loans	0% - 6.31%	253,819,450	95,054,223	-	-	-	-	348,873,673
Long term deposits	-	-	-	-	-	-	60,917,863	60,917,863
Mark-up accrued	-	-	-	-	-	-	25,756,644	25,756,644
Short-term borrowings	17.00%	50,266,346	-	-	-	-	-	50,266,346
Accrued and other liabilities	-	-	-	-	-	-	4,979,770	4,979,770
		304,085,796	95,054,223	-	-	-	91,654,277	490,794,296
On balance sheet gap		5,502,852	(82,155,708)	-	-	-	387,720	52,778,328

The Company has investment properties Rs.60.81 million respectively for settlement of its liabilities. Further, the Company plans to restructure its liabilities so as to manage the on-balance sheet gap in the coming years.

Effective interest rate	2018							Total
	One year or less	More than one year but less than two years	More than two year but less than three years	More than three year but less than four years	More than four year but less than five years	More than five year	Not exposed to interest rate risk	
	Rupees							
Financial assets								
Net investment in lease finance	8% - 29.17%	107,159,244	17,389,608	-	-	-	-	124,548,852
Long term investments	6.85%-10.845%	-	-	-	-	349,786	151,564,495	151,914,281
Long-term finances	13.5% - 15.1%	91,625,335	-	-	-	-	-	91,625,335
Long term deposits	-	-	-	-	-	-	2,500,000	2,500,000
Placements and finances	8.5% - 24%	39,025,413	-	-	-	-	-	39,025,413
Loans and advances	-	-	-	-	-	-	1,320,036	1,320,036
Mark-up accrued	-	-	-	-	-	-	46,856	46,856
Other receivables	-	-	-	-	-	-	6,000,000	6,000,000
Cash and bank balances	4.52% - 7%	1,085,542	-	-	-	-	89,245,162	90,330,704
		238,895,534	17,389,608	-	-	-	349,786	507,311,477
Financial liabilities								
Long term loans	0% - 6.31%	310,073,673	59,140,000	-	-	-	-	369,213,673
Long term deposits	-	-	-	-	-	-	60,917,863	60,917,863
Mark-up accrued	-	-	-	-	-	-	33,028,644	33,028,644
Short-term borrowings	17.00%	56,266,346	-	-	-	-	-	56,266,346
		366,340,019	59,140,000	-	-	-	93,946,507	519,426,526
On balance sheet gap		(127,444,485)	(41,750,392)	-	-	-	349,786	(12,115,049)

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

49.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. As the Company does not have any foreign currency asset and liabilities except for foreign currency accounts amounting to Rs. 0.24 million, therefore, the Company is not materially exposed to foreign currency risk as at June 30, 2019.

49.1.3 Price risk

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

At the reporting date, the exposure to listed equity securities is Rs. 0.757 million. Management of the Company estimates that 100 basis points increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Company's net assets by Rs. 0.008 million. However, in practice, the actual results may differ from the sensitivity analysis.

49.2 Credit risk

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

	2019 Rupees	2018 Rupees
Net investment in lease finance	116,176,357	124,548,852
Long term investments	143,525,923	151,564,495
Long term finances	122,460,777	91,625,335
Long term deposits	-	2,500,000
Short term investments	-	1,771,862
Placements and finances	39,025,413	39,025,413
Loans and advances	2,200,995	1,320,036
Mark-up accrued	16,365	46,856
Cash and bank balances	74,342,978	90,515,101
	<u>497,748,808</u>	<u>502,917,949</u>

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

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

	<i>Short term</i>	<i>Long term</i>	<i>Rating agency</i>
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Al Baraka Bank	A1	A	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA

49.3 Fair value hierarchy

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

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Level 1	Level 2	Level 3
	----- Rupees -----		
June 30, 2019			
Investments at fair value through Profit and loss			
Quoted equity securities	757,328	-	-
Investments in:			
Associates - equity method	31,311,365	-	112,214,558
Defence Saving Certificates - at amortized cost	-	387,720	-
June 30, 2018			
Investments at fair value through Profit and loss			
Quoted equity securities	17,569,141	-	-
Term finance certificates / sukuk bonds	-	-	1,771,862
Investments in:			
Associates - equity method	36,817,096	-	114,747,399
Defence Saving Certificates - at amortized cost	-	349,786	-

49.4 Liquidity risk

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

As of balance sheet date, the Company has liquid assets to the tune of Rs. 75.100 million to meet its commitments and obligations. Further, through recovery measures, the Company is generating a liquidity of Rs. 4 million to Rs. 5 million per month. Since the borrowings of the Company are in restructuring phase, the pressure of payments to creditors is eased to some extent.

50 CAPITAL RISK MANAGEMENT

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

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

The gearing ratios of the Company as at June 30, 2019 and 2018 were as follows:

	2019 Rupees	2018 Rupees
Total borrowings	399,140,019	425,480,019
Less: Cash and bank balances	(74,342,978)	(90,515,101)
Net debt	324,797,041	334,964,918
Total equity	497,566,540	497,979,226
Total capital	822,363,581	832,944,144
Gearing ratio	39%	40%

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



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

51 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and to reflect the substance of the transactions. Short term investment available for sale and investment held with Nazir of Sindh High Court have been reclassified from available for sale category under IAS 39 to investment measured at FVOCI under IFRS 9 (note 5.6) , further no significant rearrangements or reclassifications were made in these financial statements.

<i>Description</i>	<i>Reclassified</i>	
	<i>From</i>	<i>To</i>
- Short Term Investment	Available for Sale	FVOCI
- Investment held with Nazir of Sindh High Court	Available for Sale	FVOCI
- Short Term Investment	Held for trading	FVTPL

52 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 25 September, 2019 by the Board of Directors of the Company.

53 GENERAL

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

Chief Executive

Director

Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

**Pattern Of Shareholding - Form "34
Shareholders Statistics As At June 30, 2019**

Number Of Share Holders	Share Holding		Total Shares Held
	From	To	
920	1	100	30,514
490	101	500	158,433
843	501	1000	782,113
937	1001	5000	2,665,303
379	5001	10000	3,102,992
176	10001	15000	2,327,993
106	15001	20000	1,967,598
96	20001	25000	2,280,220
57	25001	30000	1,619,336
29	30001	35000	954,500
37	35001	40000	1,434,562
26	40001	45000	1,134,073
49	45001	50000	2,426,500
18	50001	55000	946,402
17	55001	60000	975,140
13	60001	65000	815,182
11	65001	70000	757,556
4	70001	75000	294,500
14	75001	80000	1,091,959
6	80001	85000	494,500
3	85001	90000	269,500
5	90001	95000	460,865
16	95001	100000	1,595,500
7	100001	105000	722,381
3	105001	110000	324,180
6	110001	115000	677,520
3	115001	120000	356,500
6	120001	125000	743,500
1	125001	130000	129,500
5	135001	140000	695,090
2	140001	145000	288,000
7	145001	150000	1,040,975
1	150001	155000	154,000
3	155001	160000	476,000
2	160001	165000	326,500
1	165001	170000	170,000
3	170001	175000	522,000
1	175001	180000	175,352
3	180001	185000	550,870
1	185001	190000	185,243
1	190001	195000	194,000
3	195001	200000	600,000
5	200001	205000	1,014,352
1	210001	215000	212,000
2	215001	220000	432,291
1	225001	230000	226,000
1	235001	240000	237,000
2	250001	255000	501,096
2	260001	265000	526,500
1	270001	275000	275,000
1	285001	290000	290,000
1	290001	295000	291,500
2	295001	300000	600,000
1	300001	305000	301,000
1	305001	310000	306,000



FIRST DAWOOD INVESTMENT BANK LIMITED

Number Of Share Holders	From	Share Holding	To	Total Shares Held
2	315001	-	320000	634,483
4	320001	-	325000	1,295,000
1	340001	-	345000	345,000
1	365001	-	370000	366,000
1	395001	-	400000	399,500
2	400001	-	405000	801,537
1	410001	-	415000	414,000
1	490001	-	495000	492,594
1	495001	-	500000	500,000
1	595001	-	600000	599,276
1	620001	-	625000	625,000
1	665001	-	670000	670,000
1	695001	-	700000	700,000
1	770001	-	775000	771,500
1	835001	-	840000	836,500
1	870001	-	875000	874,000
1	895001	-	900000	900,000
1	930001	-	935000	930,141
1	1060001	-	1065000	1,064,500
1	1090001	-	1095000	1,092,000
1	1180001	-	1185000	1,182,000
2	1345001	-	1350000	2,695,900
1	1370001	-	1375000	1,373,000
1	1380001	-	1385000	1,384,000
1	1415001	-	1420000	1,418,522
1	1585001	-	1590000	1,585,564
1	1590001	-	1595000	1,593,500
1	1800001	-	1805000	1,800,164
1	1920001	-	1925000	1,921,400
1	1980001	-	1985000	1,981,500
1	2340001	-	2345000	2,341,935
1	2585001	-	2590000	2,585,770
1	3165001	-	3170000	3,166,208
1	3710001	-	3715000	3,711,000
1	7200001	-	7205000	7,200,657
1	8945001	-	8950000	8,947,200
1	10375001	-	10380000	10,378,637
1	16765001	-	16770000	16,768,444
1	19910001	-	19915000	19,914,000
4377				148,390,023

Categories of Shareholders	Number Of Share Holders	Total Shares Held	Percentage
Individuals	4,224	81,661,680	55.03
Joint Stock Companies	21	2,384,248	1.61
Insurance Companies	8	17,693,593	11.92
Financial Institutions	7	39,414,792	26.56
Investment Companies	6	1,662,634	1.12
Modarabas	6	3,517,973	2.37
Modaraba Management Companies	1	200,667	0.14
Mutual Fund	1	1,585,564	1.07
Others	3	268,872	0.18
	4,277	148,390,023	100.00



FIRST DAWOOD INVESTMENT BANK LIMITED

Additional Information Of Ordinary Shares As On June 30, 2019

S. No.	Categories Shareholders	Shares Held	% Age
1	Associated Companies	4,587,893	3.09
	B.R.R. Guardian Modaraba	3,342,513	
	Dawood Capital Management Limited	930,141	
	B.R.R. Investment (Pvt.) Ltd.	315,239	
2	NIT & ICP	1,585,784	1.07
	CDC - Trustee National Investment (UNIT) Trust	1,585,564	
	Investment Corporation of Pakistan	220	
3	Directors, CEO, their Spouses and Minor Childern	11,784,229	7.94
	Rafique Dawood	8,947,200	
	Hamida Dawood	2,834,529	
	Khurshid A. Khair	500	
	Abu Khursheed M. Arif	500	
	Asad Hussain Bokhari	500	
	Muhamamd Saeed	500	
	Christopher John Aitken Andrew	500	
4	Public Sector Companies and Corporation	10,378,637	6.99
5	Banks, DFIS, NBFIS, Insurance Companies, Modarabas Joint Stock Companies, Mutual Funds and others	50,176,029	33.81
6	General Public	69,877,451	47.09

Shareholders Holding Five Percent Or More In The Company	56,010,918	37.75
National Bank of Pakistan	19,916,637	13.42
The Bank of Khyber	16,768,444	11.30
State Life Insurance Corp. Of Pakistan	10,378,637	6.99
Rafique Dawood	8,947,200	6.03



FIRST DAWOOD INVESTMENT BANK LIMITED

FORM OF PROXY
25th Annual General Meeting

First Dawood Investment Bank Limited
Karachi.

I/ we _____ of
_____ (full address)

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

of _____ (full address) (or failing him)

Mr. /Ms _____ Folio No. CDC A/c No _____

of _____ (full address)

being another member of the Company as my/our proxy to attend and vote for me/us on my/our
behalf, at the **25th Annual General Meeting** of the Company to be held on Thursday October 24, 2019
at 9:00 a.m. and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2019, signed by the said
_____ in the presence of

Mr. / Ms. _____

of _____ (full address)

Revenue Stamp
Rs. 5/-

Signature of Witness

Signature(s) and or Seal

Important Notes:

1. The share transfer books of the Company will remain closed from October 17, 2019 to October 24, 2019 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person other than a member shall act as a proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notorially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered Office of the Company, 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. If more than one instrument of Proxy appointing more than one person is deposited with the Company, all such instruments of proxy shall be rendered invalid.
5. The signature on the Instrument of Proxy must confirm to the Specimen Signature recorded with the Company.
6. CDC account holders will in addition have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of Securities & Exchange Commission of Pakistan for attending the meeting.



FIRST DAWOOD INVESTMENT BANK LIMITED

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

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