



INVESTMENTS

WE KNOW YOUR VALUE

**786 INVESTMENTS LIMITED**



**DAWOOD INCOME FUND**

**ANNUAL REPORT  
2017**



<b>Corporate Information</b>	<b>02</b>
<b>Mission Statement</b>	<b>03</b>
<b>Report of the Directors of the Management Company</b>	<b>04</b>
ڈائریکٹرز کی رپورٹ	09
<b>Fund Manager Report</b>	<b>13</b>
<b>Details of Pattern of Holdings (Units)</b>	<b>16</b>
<b>Trustee Report to the Certificate Holders</b>	<b>17</b>
<b>Review Report to the Unit Holders on Statement of Compliance with the Best Practices of the Code of Corporate Governance</b>	<b>19</b>
<b>Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2017</b>	<b>21</b>
<b>Independent Auditors' Report to the Unit Holders</b>	<b>24</b>
<b>Financial Statements:</b>	
<b>Statement of Assets and Liabilities</b>	<b>26</b>
<b>Income Statement</b>	<b>27</b>
<b>Statement of Comprehensive Income</b>	<b>28</b>
<b>Distribution Statement</b>	<b>29</b>
<b>Cash Flow Statement</b>	<b>30</b>
<b>Statement of Movement in Unit Holder's Fund</b>	<b>31</b>
<b>Notes to the Financial Statements</b>	<b>32</b>
<b>Six Year Financial Summary</b>	<b>51</b>
<b>Proxy Issued by the Fund</b>	<b>52</b>



## CORPORATE INFORMATION

<b>Management Company</b>	G-3 Ground Floor, B.R.R. Tower, Hassan Ali Street, Off I.I. Chundrigar Road, Karachi - 74000 Pakistan Tel: (92-21) 32603751-54 Email: dcm@edawood.com Website: www.786investments.com	
<b>Board of Directors</b>	Ms. Shafqat Sultana Miss Tara Uzra Dawood Ms. Charmaine Hidayatullah Mr. Mohammad Izqar khan Mr. Ansar Hussain Mr. Tahir Mehmood Syed Farhan Abbas	Chairperson Chief Executive Officer Director Director Director Director Director
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Umair Manzoor	
<b>Audit Committee</b>	Mr. Ansar Hussain Mr. Tahir Mehmood Syed Farhan Abbas	Chairman Member Member
<b>Trustee:</b>	MCB Financial Services Limited 4th Floor, Pardasi House, 2/1 R-Y old Queens Road, Karachi	
<b>Auditors</b>	Riaz Ahmad & Co. Chartered Accountants	
<b>Human Resource Committee</b>	Mr. Muhammad Izqar Khan Ms. Shafqat Sultana Ms. Tara Uzra Dawood Mr. Tahir Mehmood	Chairman Member Member Member
<b>Legal Advisor</b>	Rauf & Ghaffar Law Associates (Advocates & Consultants) Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar – Karachi, Pakistan.	
<b>Registrars</b>	F.D. Registrar Services (SMC-Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi-74000, Pakistan.	
<b>Banker:</b>	Al Baraka Bank (Pakistan) Limited JS Bank Limited Bank Alfalah Limited	



### ***Mission Statement***

*To offer our unit holders the best possible return by expertly diversifying the Fund's investment portfolio into minimal risk and high yielding instruments and at all time to be a good corporate citizen*



## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

The Board of Directors of 786 Investments Limited. ("786" or the "Company") the management company of Dawood Income Fund ("DIF"/ "the Fund") are pleased to present the annual report and the audited financial statements of the Company for the year ended June 30, 2017.

### **Economic Review**

The country managed to achieve GDP growth rate of 5.28% Unlike the previous year, agriculture sector recorded growth of 3.5% while services sector recorded growth of 5.98%, Government continues to target disciplined progressive recovery with GDP growth target at 6% and fiscal deficit near 4%.

Large scale manufacturing sector has recorded growth of 5.1% for with major contribution coming from automobiles, construction and consumer goods.

On the external front, vulnerabilities have started to materialize in the form of rising current account deficit (USD 12 billion), falling foreign exchange reserves (foreign exchange reserves stood at USD 21.26 billion) and flattish remittances.

Rising pressure on Balance of Payment is expected to weigh down on stability of PKR/USD parity unless foreign inflows are secured either through Foreign Direct Investment or Debt financing.

CPI for FY2017 was recorded at 4.14% with the increase due to food inflation, transportation cost and house rent. We expect inflation to gradually rise but remain well anchored with average of -5% in FY18.

Keeping in view the macroeconomic stability, SBP kept the policy rate at 5.75 percent in May2016 and maintained the same in the subsequent monetary policy decisions, which is the lowest rate since early 1970s.

Commercial banks remained active in overnight market where majority of activity witnessed near policy rate. Participation in recent PIB auction equaled PKR 90 billion out of which 3 years PIB received majority of bids amounting PKR 74 billion whereas 5 years PIB received PKR 7 billion and 10 years PIB received PKR 9 billion. The target of the said auction was set at PKR 50 billion. SBP accepted PKR 75 billion out of which PKR 68 billion was accepted in 3 years PIB highlighting the fact that market is reluctant going into longer tenor bonds.

In last Treasury bill auction cut off yield for 3 and 6 months paper were maintained at previous level of 5.9910% and 6.0190% respectively, whereas cut off yield for 12 months paper was set at 6.0386%. The target for the auction was PKR 300 billion whereas participation was around PKR 420 billion out of which PKR 361 billion was accepted. Short term liquidity remained comfortable as SBP conducted regular OMOs throughout the year.

Towards the Islamic money market front, Ijarah XV matured on June 25, 2017. To prevent the Islamic market going into excess liquidity crisis, GoP issued a Rs. 71 billion worth of fixed rate Ijara Sukuk at a rate of 5.24% against M1 Motorway as the underlying Asset.

Pace of widening trade deficit remained alarmingly high which kept on diluting forex reserves keeping investors away from longer tenor securities despite attractive premium on offering. Interest in longer tenor bonds is expected to remain subdued with red flags rising relative to PKR/USD parity driven by Balance of Payments position.

### **Compliance with the Best Practices of the Code of Corporate Governance**

The Management Company complies with the "Code of Corporate Governance" (Code) contained in the listing regulations of the Pakistan Stock Exchange for the purpose of establishing a framework of good governance,



whereby a listed Fund is managed in compliance with the best practices of Code. The directors of the Management Company hereby confirm the following as required by clause (xvi) of the Code:

- The financial statements, prepared by the of the listed company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of account of the listed company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- There are no significant doubts upon the listed company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations except as disclosed in the statement of compliance annexed with these financial statements.
- There has been no trading during the year in the units of the Fund carried out by the Directors, Chief Executive Officer, Company Secretary and their spouses and their minor children except as disclosed in the relevant notes to the financial statement.
- There is no statutory payment on account of taxes, duties, levies and charges outstanding.

#### **Board of Directors Meetings**

During the year, five meetings were held. The attendance of each Director is as follows:

<b>Names</b>	<b>Designation</b>	<b>Category</b>
Ms. Shafqat Sultana	Chairman	5
Ms. Tara Uzra Dawood	Chief Executive Officer	5
Mr. Ansar Hussain	Director	4*
Mr. Muhammad Izqar Khan	Director	1*
Ms. Charmine Hidayullah Khan	Director	3*
Mr. Tahir Mehmood	Director	5
Syed Farhan Abbas	Director	5

\*Leave of absence was granted.



### **Audit Committee Meeting**

During the year, 5 meetings were held. The attendance of each member is as follows:

<b>Names</b>	<b>Designation</b>	<b>No of Meetings attended</b>
Mr. Ansar Hussain	Chairman	4*
Mr. Tahir Mehmood	Member	5
Syed Farhan Abbas	Member	5

\*Leave of absence was granted.

### **Auditors**

The present Auditor, KPMG Taseer Hadi & Co. Chartered Accountants retired. The audit Committee of Company has recommended the appointment of Riaz Ahmad & Co. Chartered Accountants as auditors for the year ending June 30, 2018.

### **Auditors' Report**

The Auditors have given their opinion on the financial statements of the Company for the year ended June 30, 2017, wherein they have given emphasis on certain matters.

- Our response to note 1.2 to the financial statements is that the company filed an appeal in appellate tribunal of SECP against the order of Executive Director SECP dated March 22, 2013 under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997, the appellate tribunal of SECP vide Order dated 22 January 2015 set aside the initial order in its entirety on the grounds stated therein. The appellate tribunal's decision was not appealed in terms of section 34 of the SECP Act and a review application was filed in appellate tribunal against appellate tribunal decision by Executive Director SECP that was rejected by registrar appellant tribunal SECP and has therefore attained finality.
- Our response to note 1.3 to the financial statements is that the management has conveyed its commitment to SECP to ensure the compliance with all the laws applicable to Company including Companies Ordinance 1984, Listing rules and regulations, Non-Banking Finance Companies and Notified Entities Regulations, 2008 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- Our response to note 1.4 to the financial statements is that the management has complied with all the requirements for renewal of license except for removal of suspension of trading in shares of the Management Company and the management is in process of rectifying the matter. Nonetheless; the management considers that in terms of proviso to sub rule 9 of Rule 5 of The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 the existing license is valid till such time that the license is renewed by the Commission.

### **Risk Management**

Risk taking is an integral part of any business and is rooted in the philosophy of risk versus reward, that is, the higher the risk the greater the reward. Our fundamental objective is to maximize unit holder's value, but this must be carried out in a clearly articulated risk tolerance framework. DIF exposed to a variety of risks including credit, liquidity, Interest rate, market risk and operational risk. Our risk management policies and



procedures ensure that risks are effectively identified, evaluated, monitored and managed. Risk management is a dynamic function and management must continuously monitor its internal risk procedures and practices in order to reduce earnings variability.

The Board has formed the following committees to manage the various types of risks the Fund is exposed to:

- Board's Audit Committee
- Investment Committee

#### **Statement of Ethics and Business Practices**

The Board of Directors of the Management Company has adopted a statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

#### **Fund Strategy**

The Fund's priority is to keep healthy liquidity, making prudent decisions on residual debt and making risk-averse decisions on future investments. The Fund management is actively pursuing towards the settlement of the residual debt while ensuring the high unit holder protection. Ensuring steady profit while meeting any and all redemption need is the Fund's prime priority.

#### **Fund Performance**

As at June 30, 2017, net assets were Rs. 247.74 million as compared to Rs. 155.98 million as at June 30, 2016. Total operating income for the year was Rs. 34.76 million as compared to Rs. 44.51 million for the same period last year. Total expenses during the year were Rs. 1.86 million as compared to Rs. 6.07 million last year. Element of income was Rs. 2.09 million as compared to Rs. 0.239 last year. The net profit before distribution for the financial year 2017 was Rs.34.99 million, as compared to Rs. 38.20 million last year. The Net Asset Value per unit was Rs. 78.93 as at June 30, 2017.

#### **Dividend**

The Board of Directors has announced cash dividend to unit holders of Rs. 9.4371 per unit for the year ended June 30, 2017 which comes out to be 9.44% of the par value per unit of Rs. 100.

#### **Sales and Redemption of Units**

2,711,299 units worth Rs. 222.32 million were issued in the current year (2016: 1,760,938 units worth Rs. 142.46 million) and 1,625,347 units worth Rs. 136.86 were redeemed in the current year (2016: 4,911,462 units worth Rs. 372.53 million). As on June 30, 2017, the total number of outstanding units was 3,138,834 valued as Rs. 247.74 million.

#### **Credit Rating**

Asset Manager Rating (AMR) of Management Company is 'AM3-' and that of Fund is A-(f) rated by Pakistan Credit Rating Agency (PACRA) before suspension of the Fund.



**Transaction with Connected Persons/Related Parties**

Transactions between the Fund and its connected persons as disclosed in notes to the financial statements are carried out on an arm's length basis.

**Pattern of Unit Holders as on June 30, 2017**

The pattern of unit holders as on June 30, 2017 along with disclosure as required under the Code of Corporate Governance is annexed to these financial statements.

**Key Financial Highlights**

Key financial highlights are summarized and annexed to these financial statements.

**Acknowledgement**

The Board of Directors of the Management Company is thankful to the Securities and Exchange Commission of Pakistan, the management of the Pakistan Stock Exchange Limited for their continued support and cooperation. The Directors also appreciate the efforts put in by the employees of the Company for their commitment and dedication and shareholders for their confidence in the Company.

For and on behalf of the  
Board of Directors,

18 September, 2017  
Karachi.

A handwritten signature in black ink, appearing to be a stylized 'S' or similar character.

Chairperson



## مینجمنٹ کمپنی کے ڈائریکٹری کی رپورٹ

786 سرمایہ کاری لمیٹڈ کے ڈائریکٹر بورڈ لمیٹڈ ("786" یا "کمپنی") داؤد انکم فنڈ کے انتظاماتی کمپنی ("ڈی آئی ایف" / "فنڈ") 30 جون، 2017 تک ختم ہونے والی سالانہ رپورٹ اور کمپنی کے آڈٹ شدہ مالیاتی بیانات پر راضی ہیں۔

### اقتصادی جائزہ

ملک میں 5.28% کی جی ڈی پی کی ترقی کی شرح کو حاصل کرنے میں کامیاب رہا۔ گزشتہ سال کے مقابلے میں، زراعت کے شعبے میں 3.5 فیصد اضافہ ہوا جبکہ سروس سیکٹر 5.98 فیصد کی ریکارڈ ریکارڈ کی گئی، حکومت نے جی ڈی پی کی نشاندہی کا ہدف 6 فیصد اور مالیاتی خسارے کے قریب ڈسپوزل پسند ترقی پسندانہ بحالی کا نشانہ بنایا ہے۔ 4%۔

بڑے پیمانے پر مینوفیکچرنگ سیکٹر نے آٹوموبائل، تعمیر اور صارفین کے سامان سے آنے والی اہم شراکت کے لئے 5.1 فیصد کی ترقی ریکارڈ کی ہے۔

بیرونی محاذ پر، موجودہ اکاؤنٹ کے خسارہ بڑھتے ہوئے (12 بلین امریکی ڈالر)، غیر ملکی کرنسی کے ذخائر (غیر ملکی کرنسی کے ذخائر 21.26 بلین ڈالر پر کھڑے ہو گئے) کی شکل میں خرابی کو ختم کرنے اور اخراجات کو چھٹکارا کرنے میں کمزوریاں شروع کر دیے ہیں۔

کی برابری کی استحکام پر وزن کم ہونے کی توقع ہے جب تک غیر USD ادائیگی کی بیلنس پر بڑھتی ہوئی دباؤ پی ایچ آر / ملکی آمدنی غیر ملکی براہ راست سرمایہ کاری یا فرض فنانس کے ذریعہ محفوظ نہ ہو۔

مالیاتی افادیت، ٹرانسپورٹ کی قیمت اور گھر کی کرایہ پر ہونے والی وجہ سے مالی سال 2013 کے لئے سی پی آئی 4.14 میں اوسط 5% کے ساتھ اچھی طرح FY18 فیصد ریکارڈ کیا گیا تھا۔ ہم امید کرتے ہیں کہ افراط زر آہستہ آہستہ بڑھ جائے لیکن سسے لنگر رہتا ہے۔

بڑے اقتصادی استحکام کو دیکھتے ہوئے، ایس بی پی نے مئی 2016 میں 5.75 فیصد کی پالیسی کی شرح کو برقرار رکھا اور 1970ء کے دہائی کے بعد سے اس کی پیسے کی پالیسی کے فیصلے میں بھی برقرار رکھا۔

کمرشل بینکوں رات رات کے بازار میں سرگرم رہے ہیں جہاں اکثریت کی سرگرمی پالیسی کی شرح کے قریب ہے۔ حال ہی میں پی آئی بی کی نیلامی میں حصہ لینے والی پی سی آر 90 ارب کے برابر تھا جس میں سے 3 سال پی آئی بی نے 74 ارب روپے کی ادائیگی کی ہے جبکہ پی آئی بی 5 سال اور 10 سال پی آئی بی نے 9 ارب روپے وصول کر دیے۔ کہا گیا ہے کہ نیلامی بلین 3 سالوں میں منظور کیا گیا تھا۔ پی 68 PKR تھا۔ ایس بی پی نے 75 ارب کو منظور کیا جس میں PKR کا ہدف 50 ارب آئی بی نے اس حقیقت پر زور دیا کہ مارکیٹ طویل عرصے سے باہمی پابندیوں میں جا رہا ہے۔

آخری خزانہ بل میں نیلامی نے 3 اور 6 ماہ کے کاغذات کو گزشتہ سال 5.9910% اور 6.0190 فی صد میں برقرار رکھا، تھا جبکہ اس میں PKR جبکہ 12 مہینے کے کاغذات 6.0386% پر مقرر کیے گئے تھے۔ نیلامی کے لئے ہدف 300 ارب بلین کو قبول کیا گیا تھا۔ ایس بی پی نے سال بھر میں باقاعدگی سے اوم اوز PKR 361 بلین تھی جس میں PKR 420 شرکت کو منعقد کیا۔

اسلامی پیسے کے بازار کے سامنے اسلامی جمہوریہ نے 25 جون، 2017 کو پندرہ سالہ 2017 کو فائز کیا۔ اسلامی مارکیٹ کو روکنے کے لئے اضافی خرابی کے بحران میں، جی پی پی نے ایک روپے جاری کیا۔ بنیادی اثاثہ کے طور پر ایم 1 موٹر وے کے خلاف 5.24% کی شرح پر 71 ارب روپے مقررہ شرح اعجاز سکف۔

تجارتی خسارے کو وسیع کرنے کی رفتار خطرناک حد تک بڑھ رہی تھی جس میں سرمایہ کاروں کو پیشکش پر پرکشش پریمیم کے باوجود طویل عرصے سے مستحکم افواج سے دور رکھنے والے غیر ملکی ذخائر کو کمزور رکھا گیا۔ طویل عرصے سے



ٹور بینڈ میں دلچسپی کی توقع ہے کہ پیپ آر / امریکی ڈالر کی ادائیگی سے متعلق ادائیگیوں کی توازن کی طرف اشارہ کرنے والے ریڈ جھنڈوں کے ساتھ بڑھتے رہیں۔

### کارپوریٹ گورننس کے کوڈ کے بہترین طریقوں سے تعميل

مینجمنٹ کمپنی "حکمرانی گورننس" (کوڈ) کے مطابق ہے جس میں پاکستان اسٹاک ایکسچینج کی لسٹنگ کے قواعد و ضوابط میں شامل ہے جس کے تحت اچھے گورنمنٹ کے فریم ورک قائم کرنے کے لئے، جس میں درج کردہ فنڈ کوڈ کی بہترین طریقوں سے (XVI مطابقت رکھتا ہے۔ . مینجمنٹ کمپنی کے ڈائریکٹر اس طرح مندرجہ ذیل کی تصدیق کرتے ہیں جو کوڈ کے شق ) ضرورت ہوتی ہے:

- درج کردہ کمپنی کے ذریعہ تیار کردہ مالی بیانات، اس کے معاملات کو منصفانہ طور پر پیش کرتے ہیں، اس کے نتائج کا نتیجہ، نقد بہاؤ اور مساوات میں تبدیلی؛
- درج کردہ کمپنی کے اکاؤنٹ کی مناسب کتابوں کو برقرار رکھا گیا ہے؛
- مالی بیانات کی تیاری میں مناسب اکاؤنٹنگ کی پالیسیوں کو مسلسل لاگو کیا گیا ہے اور اکاؤنٹنگ کا اندازہ مناسب اور پرکشش فیصلے پر مبنی ہے؛
- بین الاقوامی مالیاتی رپورٹنگ معیار، جیسے پاکستان میں قابل اطلاق، مالی بیانات کی تیاری میں اور وہاں سے کسی بھی رخصت کو مناسب طور پر ظاہر کیا گیا ہے۔ اور وضاحت کی۔
- اندرونی کنٹرول کا نظام ڈیزائن میں آواز ہے اور اس کو بہتر بنانے کے لئے جاری کوششوں کے ساتھ مؤثر طریقے سے عملدرآمد اور نگرانی کی گئی ہے۔
- جانے والی تشویش کے طور پر جاری رکھنے کے لئے درج کردہ کمپنی کی صلاحیت پر کوئی اہم شک نہیں ہے۔
- کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی روانگی نہیں ہے، جیسا کہ ان لسٹنگ کے قوانین میں درج ذیل کے علاوہ ان مالی بیانات کے مطابق مل کر تعميل کے بیان میں ظاہر ہوا ہے۔
- سال کے دوران ڈائریکٹرز کی طرف سے کئے جانے والے فاؤنڈیشن میں کوئی ٹریڈنگ نہیں رہا ہے، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری اور ان کے شوہر اور ان کے چھوٹے بچوں کے علاوہ متعلقہ نوٹوں میں مالی بیان کے مطابق۔
- ٹیکس، فرائض، اجرت اور الزامات سے متعلق اکاؤنٹ پر کوئی قانونی ادائیگی نہیں ہے۔

### بورڈ آف ڈائریکٹرز اجلاس

سال کے دوران پانچ اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری مندرجہ ذیل ہے:

Names	Designation	Category
Ms. Shafqat Sultana	Chairman	5
Ms. Tara Uzra Dawood	Chief Executive Officer	5
Mr. Ansar Hussain	Director	4*
Mr. Muhammad Izqar Khan	Director	1*
Ms. CharmineHidayullah Khan	Director	3*
Mr. Tahir Mehmood	Director	5
Syed Farhan Abbas	Director	5

\* غیر موجودگی کی اجازت دی گئی تھی



## آڈٹ کمیٹیشن اجلاس

سال کے دوران، 5 اجلاس منعقد ہوئے۔ ہر رکن کی حاضری مندرجہ ذیل ہے:

Names	Designation	No of Meetings attended
Mr. Ansar Hussain	Chairman	4*
Mr. Tahir Mehmood	Member	5
Syed Farhan Abbas	Member	5

\* غیر موجودگی کی اجازت دی گئی تھی۔

## آڈیٹر

موجودہ آڈیٹر، کے پی ایم جی تاسیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائرڈ ہیں، کمپنی کے آڈیٹ کمیٹی نے ریاض احمد اور کمپنی چارٹرڈ اکاؤنٹنٹس کو 30 جون، 2018 تک ختم ہونے والی سال کے لئے آڈیٹر کے طور پر مقرر کیا ہے۔

## آڈیٹروں کی رپورٹ

آڈیٹر نے 30 جون، 2017 کو ختم ہونے والے سال کے لئے کمپنی کے مالی بیانات پر اپنی رائے دی ہے، جس میں انہوں نے بعض معاملات پر زور دیا ہے۔

• مالی بیانات میں نوٹ 1.2 کے جواب دینے کا ہمارے جواب یہ ہے کہ کمپنی سیکریٹریٹ اور ایکسچینج کمیشن آف پاکستان ایکٹ، 1997 کے سیکشن 33 کے تحت 22 مارچ 2013 کو ایگزیکٹو ڈائریکٹر سیکرٹری کے آرڈر کے خلاف اپیلیٹ ٹریبونل میں اپیل کی گئی ہے۔ ایس سی پی وائڈ آف آرڈر کے اپیلیٹ ٹریبونل نے 22 جنوری 2015 کو حکم دیا ہے کہ اس میں بیان کردہ بنیادوں پر ابتداء میں ابتدائی آرڈر کریں۔ اپیلیٹ ٹریبونل کے فیصلے کو ایس سی پی کے سیکشن کے سیکشن 34 کے سلسلے میں اپیل نہیں کی گئی تھی اور اپیلیٹ ٹریبونل میں اپیلیٹ ٹریبونل میں ایگزیکٹو ڈائریکٹر ایس سی پی نے رجسٹرار اپیلنٹ ٹریبونل سیکرٹری کے ذریعہ مسترد کر دیا تھا اور اس کے نتیجے میں عدم اعتماد حاصل کی۔

• مالیاتی بیانات میں نوٹ 1.3 کے جواب دینے کا ہمارے جواب یہ ہے کہ کمپنی نے کمپنیوں کو کمپنیوں کے آرڈیننس 1984، فہرست سازی کے قواعد و ضوابط، غیر بینکنگ فنانس کمپنیوں اور مطلع شدہ اداروں کے ضابطوں سمیت لاگو تمام قوانین کے مطابق اطمینان حاصل کرنے کے لئے سیکرٹری کو اپنا وعدہ دیا ہے۔ ، 2008 اور غیر بینکنگ فنانس کمپنیوں (قیام اور ریگولیشن) قواعد، 2003۔

• مالی بیانات میں 1.4 نوٹ کرنے کے ہمارے جواب میں یہ ہے کہ مینجمنٹ نے مینجمنٹ کمپنی کے حصص میں ٹریڈنگ کی معطلی کو ہٹانے کے لئے لائسنس کی تجدید کے لئے تمام ضروریات کے مطابق عمل کیا ہے اور انتظامیہ معاملے کو دوبارہ ترتیب دینے کے عمل میں ہے۔ پھر بھی انتظامیہ کو یہ سمجھا جاتا ہے کہ پروسیس غیر بینکنگ فنانس کمپنیوں (قیام و ضوابط) کے قوانین (قانون سازی اور ضابطے) کے قوانین کے قانون 5 کے ذیلی حکمرانی 9 میں موجود ہے، موجودہ لائسنس اس وقت تک درست ہے جب کمیشن نے لائسنس کی تجدید کی ہے۔



## رسک مینجمنٹ

خطرہ کسی بھی کاروبار کا ایک لازمی حصہ ہے اور خطرے کے مقابلے میں خطرے کے فلسفہ میں جڑ جاتا ہے، یہ ہے کہ، زیادہ خطرہ زیادہ سے زیادہ انعام. ہمارا بنیادی مقصد یونٹ ہولڈر کی قیمت کو زیادہ سے زیادہ کرنے کے لئے ہے، لیکن یہ ایک واضح طور پر واضح خطرے رواداری کے فریم ورک میں کیا جانا چاہئے. ڈی آئی ایف کریڈٹ، مکلفیت، دلچسپی کی شرح، مارکیٹ کے خطرے اور آپریشنل خطرے سمیت مختلف خطرات سے متعلق ہے. ہمارے خطرے کے انتظام کی پالیسیوں اور طریقہ کار کو یقینی بنانا ہے کہ خطرات کو مؤثر طریقے سے شناخت، جانچ، نگرانی اور منظم کیا جاسکتا ہے. خطرہ مینجمنٹ ایک متحرک فنکشن ہے اور آمدنی میں متغیرات کو کم کرنے کے لئے انتظامیہ کو اپنے داخلی خطرے کے طریقہ کار اور طریقوں کو مسلسل نگرانی کرنا چاہئے.

بورڈ نے مندرجہ ذیل کمیٹیوں کو تشکیل دیا ہے جس میں فنڈز کی بے نقاب مختلف قسم کے خطرات کو مدنظر رکھتے ہیں کرنے کے لئے:

کے لئے اور کی طرف سے  
بورڈ آف ڈائریکٹرز،

18 September, 2017  
کراچی

چیئرمین



## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2017

Description of Collective Investment Scheme Category and Type:  
Income Scheme/Open end

### **Fund Objective**

To preserve the investor's capital while providing a return greater than that offered by other investments of similar risk profile through investments in portfolio of money market instruments.

Explanation as to whether the Collective Investment Scheme Achieved Its Stated Objective

The Collective Investment Scheme achieved its stated objective.

### **Fund Performance**

As at June 30, 2017, net assets were Rs. 247.74 million as compared to Rs. 155.98 million as at June 30, 2016. Total operating income for the year was Rs. 34.76 million as compared to Rs. 44.51 million for the same period last year. Total expenses during the year were Rs. 1.86 million as compared to Rs. 6.07 million last year. Element of income was Rs. 2.09 million as compared to Rs. 0.239 last year. The net profit before distribution for the financial year 2017 was Rs.34.99 million, as compared to Rs. 38.20 million last year. The Net Asset Value per unit was Rs. 78.93 as at June 30, 2017.

### **Fund Return**

Fund Bench Mark Avg 6 Months KIBOR

	YTD Return	YTD Bench Mark
FY 2017	16.32%	6.03%
FY 2016	32.68%	9.00%

Asset A locati on		Asset Quali ty	
TFC / Sukuk <sup>1</sup>	2.04%	A+	2.04%
Placements	6.39%	AA+	6.39%
Bank Balances	88.32%	AA-	88.32%
Others	3.26%	Unrated	3.26%

### **Changes in Total NAV And NAV Per Unit Since the Last Review Period**

Net Assets Value			NAV per unit		
June 30, 2017	June 30, 2016	Change in %	June 30, 2017	June 30, 2016	Change in %
247,737,327	155,983,488	58.82%	78.93	75.98	3.88%



**INVESTMENT STRATEGY**

The Fund's priority is to keep healthy liquidity, making prudent decisions on residual debt and making risk-averse decisions on future investments. The Fund management is actively pursuing towards the settlement of the residual debt while ensuring the high unit holder protection. Ensuring steady profit while meeting any and all redemption need is the Fund's prime priority.

**DIVIDEND**

The Board of Directors has announced cash dividend to unit holders of Rs. 9.4371 per unit for the year ended June 30, 2017 which comes out to be 9.44% of the par value per unit of Rs. 100.

**PATTERN OF UNIT HOLDING**

Number Of Unit holders	Unit Holding	
	From	To
215	0000.1 -	9,999.9999
10	10000 -	49,999.9999
2	50000 -	99,999.9999
9	100000 -	499,999.9999
<b>236</b>		

**ECONOMIC REVIEW**

The country managed to achieve GDP growth rate of 5.28% Unlike the previous year, agriculture sector recorded growth of 3.5% while services sector recorded growth of 5.98%, Government continues to target disciplined progressive recovery with GDP growth target at 6% and fiscal deficit near 4%.

Large scale manufacturing sector has recorded growth of 5.1% for with major contribution coming from automobiles, construction and consumer goods.

On the external front, vulnerabilities have started to materialize in the form of rising current account deficit (USD 12 billion), falling foreign exchange reserves (foreign exchange reserves stood at USD 21.26 billion) and flattish remittances.

Rising pressure on Balance of Payment is expected to weigh down on stability of PKR/USD parity unless foreign inflows are secured either through Foreign Direct Investment or Debt financing.

CPI for FY2017 was recorded at 4.14% with the increase due to food inflation, transportation cost and house rent. We expect inflation to gradually rise but remain well anchored with average of -5% in FY18.

Keeping in view the macroeconomic stability, SBP kept the policy rate at 5.75 percent in May 2016 and maintained the same in the subsequent monetary policy decisions, which is the lowest rate since early 1970s.

Commercial banks remained active in overnight market where majority of activity witnessed near policy rate. Participation in recent PIB auction equaled PKR 90 billion out of which 3 years PIB received majority of bids amounting PKR 74 billion whereas 5 years PIB received PKR 7 billion and 10 years PIB received PKR 9 billion.



The target of the said auction was set at PKR 50 billion. SBP accepted PKR 75 billion out of which PKR 68 billion was accepted in 3 years PIB highlighting the fact that market is reluctant going into longer tenor bonds.

In last Treasury bill auction cut off yield for 3 and 6 months paper were maintained at previous level of 5.9910% and 6.0190% respectively, whereas cut off yield for 12 months paper was set at 6.0386%. The target for the auction was PKR 300 billion whereas participation was around PKR 420 billion out of which PKR 361 billion was accepted. Short term liquidity remained comfortable as SBP conducted regular OMOs throughout the year.

Towards the Islamic money market front, Ijarah XV matured on June 25, 2017. To prevent the Islamic market going into excess liquidity crisis, GoP issued a Rs. 71 billion worth of fixed rate Ijara Sukuk at a rate of 5.24% against M1 Motorway as the underlying Asset.

Pace of widening trade deficit remained alarmingly high which kept on diluting forex reserves keeping investors away from longer tenor securities despite attractive premium on offering. Interest in longer tenor bonds is expected to remain subdued with red flags rising relative to PKR/USD parity driven by Balance of Payments position.

#### **OTHER DISCLOSURE UNDER NBFC REGULATIONS 2008**

- The Fund Manager hereby makes the following disclosures as required under NBFC Regulations 2008;
- The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers/dealers by virtue of transactions conducted by the Fund.
- There was no unit split undertaken during the year.
- Investments are subject to market risk that may materially affect any interests of unit holders



**DETAILS OF PATTERN OF HOLDINGS (UNITS)  
AS AT JUNE 30, 2017**

S. No.	Category	No of Unit Holders	Unit Held	Amount	% of Total
1	<b>Directors</b>	-	-	-	0.00
	> Ms. Tara Uzra Dawood, CEO	1	528,072	41,678,928	16.82
	> Ms. Shafqat Sultana	1	25,700	2,028,396	0.82
	> Ms. Charmaine Hidayatullah	1	13	997	0.00
2	<b>Associated Companies</b>				
	786 Investment Limited	1	260,993	20,599,305	8.31
	BRR Investment (Pvt) Ltd	1	416,637	32,883,712	13.27
3	<b>Individuals</b>	215	1,472,431	116,213,924	46.91
4	<b>Insurance Companies</b>	1	29,721	2,345,794	0.95
5	<b>Bank/DFIs</b>	1	39	3,114	0.00
6	<b>Modaraba / Mutual Funds</b>	-	-	-	0.00
7	<b>Others</b>	14	405,227	31,983,158	12.91
	<b>TOTAL</b>	<b>236</b>	<b>3,138,834</b>	<b>247,737,327</b>	<b>100.00</b>

**786 Investments Limited.  
(Formerly Dawood Capital Management Limited)  
(Management Company)**

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**REPORT OF THE TRUSTEE TO THE UNIT HOLDERS**

**DAWOOD INCOME FUND**

**Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

Dawood Income Fund, an open-end Scheme established under a Trust Deed dated April 08, 2003 executed between 786 Investments Limited (formerly: Dawood Capital Management Limited), as the Management Company and Bank Al Habib Limited (BAHL), as the Trustee. In June 2011, BAHL retired and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee of the fund.

1. 786 Investments Limited (formerly: Dawood Capital Management Limited), the Management Company of Dawood Income Fund has, in all material respects, managed Dawood Income Fund during the year ended 30<sup>th</sup> June 2017 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

For the purpose of information, the attention of unit holders is drawn towards following observations;

- 1) Note 1.2 and note 1.3 to the financial statements explain that operations of the Fund remained suspended from 22 March 2013 to 22 January 2015 on account of which the Management Company of the Fund was not able to comply with various regulatory requirements.
- 2) Note 1.4 to the financial statements which explains that license of the Management Company to undertake asset management services and investment advisory services is pending approval of Securities & Exchange Commission of Pakistan for renewal.



## MCB FINANCIAL SERVICES LIMITED

- 3) Note 4.2 to the financial statements states that during the year 30<sup>th</sup> June 2016, the Commissioner Inland Revenue has placed debit lock on one bank account having available balance of Rs. 10,538 as at 30<sup>th</sup> June 2017 (refer 16.2 for details).

Karachi: September 20, 2017

A handwritten signature in black ink, appearing to read 'Anwar'.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

### **Review Report to the Unitholders on Statement of Compliance with Best Practices of the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Management Company of **Dawood Income Fund** (“the Fund”) for the year ended 30 June 2017 to comply with the requirements of Listing Regulations No. 5.19.24 of Pakistan Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company’s personnel and review of various documents prepared by the Management Company to comply with the Code.

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 Fund’s corporate governance procedures and risks.

The Code requires the Management Company of the Fund 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine 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 Fund’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2017.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in Paragraph reference where these are stated in the Statement of Compliance:

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.



KPMG Taseer Hadi & Co.

<i>Note</i>	<i>Reference</i>	<i>Description</i>
14	5.19.13	Management Company could not comply with all the corporate and financial reporting requirements of the Code.
18	5.19.21(a)	The internal audit function has been outsourced to a professional firm on April 22, 2016. However, no full time Head of internal audit was designated during the year.
23	5.19.23	Management started to comply with the requirements of maintaining a register of persons having access to inside information from 15 February 2017 and onwards.

Date: 18 September 2017

Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Moneeza Usman Butt



**STATEMENT OF COMPLIANCE WITH THE CODE  
OF CORPORATE GOVERNANCE FOR  
THE YEAR ENDED JUNE 30, 2017**

This Statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No. 5.19.24 of listing regulations of the Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Management Company has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present the Board includes:

<b>Category</b>	<b>Names</b>	<b>Designation</b>
Independent Directors	Ms. Shafqat Sultana Mr. Ansar Hussain Mr. Muhammad Izqar Khan Ms. Charmine Hidayullah Khan	Chairman Director Director Director
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non - Executive Director	Syed Farhan Abbas Mr. Tahir Mehmood	Director Director

The independent directors meet the criteria of independence under clause 5.19.1(b) of CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred on the board of directors during the period.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies for the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been exercised and decisions on material transactions have been taken by the board. During the year, the board approved the change in terms and conditions of employment of the CEO.



8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. One of the directors attended the directors' training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. One of the director is exempted from taking the directors training course and the rest of the directors will attend this course in the future.
10. During the year, the Board approved appointment of Chief Financial Officer and Company Secretary, including the remuneration and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer before the approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Management Company did not file the annual audited accounts of the Fund for the year ended 30 June 2016 in a timely manner and hence could not comply with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee on September 7, 2015. Audit Committee comprised 3 members, of whom all were non-executive directors and the chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. HR and Remuneration Committee comprises four members, of whom the majority are non-executive directors and the chairman of the Committee is an independent director.
18. The internal audit function was outsourced to a professional firm on April 22, 2016. However, no full time Head of Internal Audit was designated during the year. Subsequent to year end, a Head of Internal Audit was appointed.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company/units of the Fund 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 ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.



21. The 'closed period' prior to the announcement of the financial results, and business decisions, which may materially affect the market price/net assets value of the Management Company/Funds, was determined and intimated to directors, employees and the stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. The Management Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer. The compliance of such Regulation was made from 15 February 2017 onwards and proper records are being maintained since then including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the Code have been complied with except for the matters mentioned in notes 14, 18 and 23.

Date: September 18, 2017

On Behalf of the Board of Directors  
**786 Investments Limited (formerly known as  
"Dawood Capital Management Limited")**  
**Tara Uzra Dawood**  
Chief Executive Officer



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## Independent Auditors' Report to the Unitholders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Dawood Income Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2017, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2017, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



KPMG Taseer Hadi & Co.

*Emphasis of Matter*

We draw attention to:

- a) note 1.2 and 1.3 to the financial statements which explain that the operations of the Fund were suspended for the period from 22 March 2013 to 22 January 2015 on account of which the Management Company of the Fund was not able to comply with various regulatory requirements and also the Securities and Exchange Commission of Pakistan (SECP) in its latest inspection report identified certain non-compliances with applicable regulations. Management is fully committed to ensure compliance with such Regulations in due course.
- b) note 1.4 to the financial statements which explains that the license of the Management Company to undertake asset management services and investment advisory services is pending approval of the SECP for renewal.

Our opinion is not qualified in respect of above matters.

*Other Matter*


The financial statements of the Fund for the year ended 30 June 2016 were audited by another firm of auditors who expressed unmodified opinion with emphasis of matter paragraph on those financial statements concerning the suspension of the operations of the Fund for the period from 22 March 2013 to 22 January 2015 and non-compliance with various regulatory requirements by the Management Company since the operations of the Fund were suspended, vide their report dated 28 October 2016.

*Report on Other Legal and Regulatory Requirements*

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 18 September 2017

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Moneeza Usman Butt



**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2017**

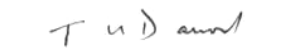
	<i>Note</i>	<b>2017</b>	2016
		<b>(Rupees)</b>	
<b>Assets</b>			
Balances with Banks	4	228,144,962	189,555,170
Investments	5	21,757,250	5,000,000
Income and Profit Receivable	6	1,420,888	874,799
Deposits with Central Depository Company of Pakistan Limited		100,000	100,000
Advance Income Tax	7	6,899,826	2,080,867
<b>Total Assets</b>		<u>258,322,926</u>	<u>197,610,836</u>
<b>Liabilities</b>			
Payable to Management Company	8	2,978,217	2,843,292
Payable to Trustee	9	66,738	65,399
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	10	167,162	235,385
Accrued Expenses and Other Liabilities	11	6,420,164	10,179,158
Dividend Payable		953,318	28,304,114
<b>Total Liabilities</b>		<u>10,585,599</u>	<u>41,627,348</u>
<b>Net Assets</b>		<u>247,737,327</u>	<u>155,983,488</u>
<b>Unit Holders' Fund (as per statement attached)</b>		<u>247,737,327</u>	<u>155,983,488</u>
		<b>(Number of units)</b>	
<b>Number of Units in Issue</b>		<u>3,138,834</u>	<u>2,052,882</u>
		<b>(Rupees)</b>	
<b>Net Assets Value per Unit</b>		<u>78.93</u>	<u>75.98</u>

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Financial Officer

786 Investments Limited.  
(Management Company)



Chief Executive Officer



Director



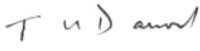
**INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>(Rupees)</b>	
<b>Income</b>			
Capital Gain on Sale of Investments - Net		5,246,531	2,700,000
Mark-Up/Interest Income	12	12,764,284	21,665,773
Reversal of Impairment on Investments Classified as Available for Sale - Net		16,755,156	20,147,541
<b>Total Income</b>		34,765,971	44,513,314
<b>Expenses</b>			
Remuneration of Management Company	8.1	2,592,281	3,138,471
Sindh Sales Tax on Management Fee	8.2	336,997	509,688
Federal Excise Duty on Management Fee	8.3	-	502,155
Remuneration of MCB Financial Services Limited - Trustee	9	600,000	630,453
Sindh Sales Tax on Remuneration of Trustee		78,000	88,263
Annual Fee - Securities and Exchange Commission of Pakistan	10	167,198	235,385
Securities' Transaction Cost		41,616	59,847
Accounting and Operations Charges	8.4	222,930	168,549
Auditors' Remuneration	13	539,836	543,436
Legal and Professional Charges		204,884	-
Reversal of Provision for Workers' Welfare Fund - Federal	11.1	(4,568,951)	-
Sindh Workers' Welfare Fund	11.1	1,521,238	-
Financial Charges		2,260	4,196
Brokerage Expenses		4,257	-
Fees and Subscription		50,000	40,000
Printing and Related Charges		64,565	150,000
<b>Total Expenses</b>		1,857,111	6,070,443
		32,908,860	38,442,871
Net Element of Income/(Loss) and Capital Gains/ (Losses) Included In Prices of Units Issued Less Those In Units Redeemed		2,089,273	(239,702)
<b>Net Income for the Year Before Taxation</b>		34,998,133	38,203,169
Taxation	16	-	-
<b>Net Income for the Year After Taxation</b>		34,998,133	38,203,169
<b>Earnings per Unit</b>	15		

The annexed notes 1 to 22 form an integral part of these financial statements.

**786 Investments Limited.  
(Management Company)**

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

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

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



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
	(Rupees)	
Net Income for the Year after Taxation	34,998,133	38,203,169
<b>Other Comprehensive Income</b>		
<i>Items that are or May Be Reclassified Subsequently to Income Statement</i>		
Net Unrealised Appreciation in Fair Value of Investments Classified as Available-for-Sale	257,250	-
<b>Total Comprehensive Income for the Year</b>	<u>35,255,383</u>	<u>38,203,169</u>

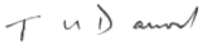
The annexed notes 1 to 22 form an integral part of these financial statements.



---

**Chief Financial Officer**

**786 Investments Limited.  
(Management Company)**



---

**Chief Executive Officer**



---

**Director**



**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

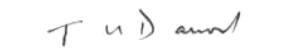
	2017	2016
	(Rupees)	
<b>Undistributed Loss Brought Forward- Realised</b>	<b>(134,534,544)</b>	<b>(92,167,301)</b>
Net Income for the Year	<b>34,998,133</b>	38,203,169
<b>Distributions</b>		
<i>Date of Distribution : 30 June 2017</i>		
Final Distribution at the Rate of Rs. 9.44 per Unit for the Year Ended 30 June 2017	<b>(26,871,994)</b>	-
<i>Date of Distribution : 30 June 2016</i>		
Final Distribution at the Rate of Rs. 15.57 Per Unit for The Year Ended 30 June 2016	-	(31,970,604)
<i>Date of Distribution : 29 January 2016</i>		
Final Distribution at the Rate of Rs. 4.76 per Unit for the Year Ended 30 June 2015	-	(24,768,213)
Final Distribution at the Rate of Rs. 3.94 per Unit for the Year Ended 30 June 2014	-	(20,501,420)
Final Distribution at the Rate of Re. 0.64 per Unit for the Year Ended 30 June 2013	-	(3,330,175)
	<b>(26,871,994)</b>	<b>(80,570,412)</b>
<b>Undistributed Loss Carried Forward - Realised</b>	<b>(126,408,405)</b>	<b>(134,534,544)</b>

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Financial Officer

**786 Investments Limited.  
(Management Company)**



Chief Executive Officer



Director



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income for the Year before Taxation	34,998,133	38,203,169
<i>Adjustments for Non-Cash Charges and Other Items:</i>		
Net Element of (Income)/Loss and Capital (Gains)/		
Losses Included in Prices of Units Issued Less Those in Units Redeemed	(2,089,273)	239,702
Reversal of Provision for Workers' Welfare Fund -Federal	(4,568,951)	-
Provision of Sindh Workers' Welfare Fund	1,521,238	-
Financial Charges	2,260	4,196
	<u>29,863,407</u>	<u>38,447,067</u>
<b>(Increase)/Decrease in Assets</b>		
Investments	(16,500,000)	(5,000,000)
Receivable against Redemption of Investments	-	366,229
Income and Profit Receivable	(546,089)	3,251,053
	<u>(17,046,089)</u>	<u>(1,382,718)</u>
<b>(Decrease)/Increase in Liabilities</b>		
Payable to Management Company	134,925	(9,410,191)
Payable to Trustee	1,339	(1,382,131)
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(68,223)	(653,950)
Accrued Expenses and Other Liabilities	(511,793)	(1,046,222)
	<u>(443,752)</u>	<u>(12,492,494)</u>
Taxes Paid/Withheld By Counter Parties	(5,350,774)	(2,080,867)
<b>Net Cash Generated from Operating Activities</b>	<u>7,022,792</u>	<u>22,490,988</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Financial Charges Paid	(2,260)	(4,196)
Cash Dividend Paid	(14,219,574)	(48,287,110)
Cash Receipts from Issuance of Units	182,650,000	142,464,196
Cash Payments on Redemption of Units	(136,861,166)	(372,526,479)
<b>Net Cash From/(Used in) Financing Activities</b>	<u>31,567,000</u>	<u>(278,353,589)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents During the Year	<u>38,589,792</u>	<u>(255,862,601)</u>
Cash and Cash Equivalents at Beginning of the Year	189,555,170	445,417,771
<b>Cash and Cash Equivalents at End of the Year</b>	<u>228,144,962</u>	<u>189,555,170</u>

The annexed notes 1 to 22 form an integral part of these financial statements.

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

**786 Investments Limited.**  
**(Management Company)**  
  
 \_\_\_\_\_  
**Chief Executive Officer**

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



**STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
	(Rupees)	
Net Assets at the Beginning of the Year	155,983,488	428,173,312
Issue of 2,711,299 Units (2016: 1,760,938 Units)	222,320,889	142,464,196
Redemption of 1,625,347 Units (2016: 4,911,462 Units)	(136,861,166)	(372,526,479)
	85,459,723	(230,062,283)
Net Element of (Income)/Loss and Capital (Gains)/Losses Included in Prices of Units Issued Less those in Units Redeemed - Transferred to Income Statement	(2,089,273)	239,702
Net Income for the Year (Excluding Capital Gain on Sale of Investments)	29,751,602	35,503,169
Capital Gain on Sale of Investments	5,246,531	2,700,000
	34,998,133	38,203,169
Net Unrealised Appreciation in Fair Value of Investments Classified As Available-for-Sale	257,250	-
<b>Distributions</b>		
<i>Date of Distribution : 30 June 2017</i>		
Final Distribution at the Rate of Rs. 9.44 per Unit for the Year Ended 30 June 2017	(26,871,994)	-
<i>Date of Distribution : 30 June 2016</i>		
Final Distribution at the Rate of Rs. 15.57 per Unit For the Year Ended 30 June 2016	-	(31,970,604)
<i>Date of Distribution : 29 January 2016</i>		
Final Distribution at the Rate of Rs. 4.76 per Unit for the Year Ended 30 June 2015	-	(24,768,213)
Final Distribution at the Rate of Rs. 3.94 per Unit for the Year Ended 30 June 2014	-	(20,501,420)
Final Distribution at the Rate of Re. 0.64 per Unit For the Year Ended 30 June 2013	-	(3,330,175)
	(26,871,994)	(80,570,412)
Net Assets as at the End of the Year	247,737,327	155,983,488
Net Assets Value per Unit as at Beginning of the Year	75.98	82.29
Net Assets Value per Unit as at End of the Year	78.93	75.98

The annexed notes 1 to 22 form an integral part of these financial statements.

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

**786 Investments Limited.**  
**(Management Company)**  
  
 \_\_\_\_\_  
**Chief Executive Officer**

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Dawood Income Fund (the Fund) was established under a Trust Deed executed on 8 April 2013 between 786 Investments Limited (formerly Dawood Capital Management Limited) as Management Company and Bank Al-Habib Limited (BAHL) as Trustee. In June 2011, BAHF retired and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee of the Fund and the name of the Fund was also changed from "Dawood Money Market Fund" to "Dawood Income Fund". These changes, after necessary regulatory approvals, were duly incorporated in the Trust Deed of the Fund by way of First Supplemental Trust Deed. Titles to the assets of the Fund are held in the name of MCBFSL as the Trustee of the Fund (except for term finance certificate of New Allied Industries Limited as mentioned in note 5.2.1, which is a non-performing term finance certificate hence being unable to be transferred until final settlement which is held in the name of BAHF being the previous trustee of the Fund).

During the year, the Management Company has changed its name to 786 Investments Limited with effect from 20 January 2017 after completing regulatory formalities. Subsequent to year end, the registered office of the Management Company was changed and now is situated at G3, Ground floor, BRR Tower, Hassan Ali Street, I.I Chundrigarh Road, Karachi, Pakistan.

The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorized as "income scheme" in accordance with Circular No. 7 of 2009 issued by the Securities and Exchange Commission of Pakistan (SECP). The principal activity of the Fund is to make investment in spread transactions and debt based securities including Government securities, Commercial Papers and other money market instruments and placement of funds.

Asset Manager Rating (AMR) of Management Company is 'AM3-' and that of Fund is A-(f) rated by Pakistan Credit Rating (PACRA) before suspension of the Fund. Subsequent to year end, the Fund has been assigned a Stability rating of AA-(f) by PACRA with their letter Number PPL-FY-18-467 dated 15 September 2017 addressed to the Chief Executive Officer of the Management Company.

### 1.2 Suspension of the Fund during the Period from 22 March 2013 to 22 January 2015

The operations of the Fund were suspended from 22 March 2013 to 22 January 2015 by the Securities and Exchange Commission of Pakistan (SECP) vide order number SCD-SD (Enf./KHI/DCML/2013/61 in pursuance to a show cause notice issued on 8 November 2012 for violation of Regulation 38(a) and Regulation 38(n) of the NBFC Regulations, 2008. Further the SECP, cancelled the license of the Management Company to undertake the business of Asset Management Services and Investment Advisory Services and Trustee of the Fund was directed to extinguish/voke the Fund.

Management Company, being aggrieved by the direction of SECP, filed an appeal before the appellant bench of the SECP against the above suspension of the Fund and the cancellation of the license to undertake the business of Asset Management Services and Investment Advisory Services on the grounds that the above actions of the SECP were taken without lawful authority and jurisdiction. Subsequently, on 22 January 2015 the appeal was decided in favour of the Management Company by the appellant bench and the original order has been set aside.

Based on the above, the Management Company is authorised and licensed to undertake Asset Management Services and Investment Advisory Services.

- 1.3 Due to the suspension of the Fund from 22 March 2013 to 22 January 2015, the Management Company was not able to comply with various requirements of the NBFC Rules, NBFC Regulations and other regulatory requirements. SECP vide its letter SCD/AMCW/DCML/151/2015 dated 5 November 2015 advised the Management Company to submit documents/information showing Board of Directors approved commitment along with timelines to comply with regulatory non-compliances. The Board of Directors of the Management Company is fully committed to comply with the regulatory requirements. Further, during the year, an onsite inspection was carried out by the Specialized Companies Division - Supervision and Enforcement Department of the Securities and Exchange Commission of Pakistan concerning the operations and management of the Funds by the Management Company as per the NBFC Rules 2003, the NBFC Regulations, 2008 and its Constitutive Documents. The inspection report identified certain non-compliances with applicable regulations which mainly pertain to financial management systems, compliance and risk management system, updation of policies and procedures, investment committee, investment function, fund management and internal controls and procedures. Management considers that owing to suspension of the Fund such compliances could not be made in timely manner. However, the Management Company is fully committed to ensure compliance with such Regulations in due course.
- 1.4 Management has applied for renewal of its license to undertake Asset Management Services which is pending for approval by the SECP, as certain requirements for the renewal are in the process of being complied with by the Management Company. On 24 July 2017, the Pakistan Stock Exchange (PSX) issued notice to the Management Company demanding to clear all the pending PSX formalities and payment of dues. It was further stated that the trading of shares of the Management Company shall remain suspended until such time the causes of suspension have been rectified. However, management considers that irrespective of renewal of license, the Fund's net assets value remain unaffected.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed



Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) , the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, 2008 and the said directives shall prevail.

## **2.2 Amendments to the Approved Accounting Standards and Interpretations that are Effective for the Year Ended 30 June 2017**

There are certain amendments to existing approved accounting standards and interpretations that are effective for the year ended 30 June 2017. These interpretations and the amendments to existing standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's accounting policies.

## **2.3 New Accounting Standards, Amendments to Existing Standards, IFRS Interpretations and Forthcoming Changes That are not Yet Effective**

There are certain new standards, amendments and interpretations effective for period beginning on or after 1 July 2017. However these standards and interpretation are either not relevant to the Funds' operation or are not expected to have significant/material effect on Fund's accounting policies.

- Subsequent to year end, the SECP vide SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008 applicable with immediate effect. The amendments provide definition of element of income and insert an explanation that it represents transactions of capital nature and requires receipt and payment of element of income to be taken to the unit holders' fund. This will result in change in the accounting policy of the Fund with respect to recognition and presentation of element of income which is currently recognised in income statement. Further, the amendment revised fifth schedule to the NBFC and Notified Entities Regulations, 2008 which specifies the disclosures and also omitted the presentation of distribution statement including amendment to definition of accounting income in Regulation 63 which now excludes the element of income. This change will affect the charge for SWWF in respect of element of income and consequently NAV per unit in future years.

## **2.4 Basis of Measurement**

These financial statements have been prepared under the historical cost convention except that certain financial assets are measured at fair value.

## **2.5 Functional and Presentation Currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and has been rounded off to nearest rupee.

## **2.6 Critical Accounting Estimates and Judgments**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about assumption and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year as well as critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

### **Investments stated at fair value and derivative financial instruments**

The Management Company has determined fair value of certain investments by using quotations from Financial Markets Association of Pakistan (Reuters) and Mutual Fund Association of Pakistan (MUFAP). Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

### **Other assets**

Judgment is also involved in assessing the realisation of the assets' balances.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.



### 3.1 Financial Instruments

The Fund classifies its financial instruments in the following categories:

**a) 'Financial instruments as 'at fair value through profit or loss'**

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated at fair value through profit or loss at inception. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative. Financial instruments as 'at fair value through profit or loss' are measured at fair value and changes therein are recognised in the Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

**b) 'Held -to-Maturity'**

Investments with fixed maturities and fixed or determinable payments are classified as held to maturity investments when management has both the intent and the ability to hold to maturity. After initial measurement, such investment are carried at amortised cost less any provision for impairment except for in case of debt securities (listed but not regularly traded on stockexchange) and government securities, which are carried out at fair value in accordance with the requirements of the NBFC Regulations and directives issued by SECP.

**c) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

**d) 'Available-for-Sale'**

'Available for sale' financial assets are non-derivative that are either designated in this category or not classified in any other category.

**e) Financial Liabilities**

Financial liabilities, other than those as 'at fair value through profit or loss', are measured at amortized cost using the effective yield method.

#### Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the financial assets.

#### Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not as 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Transaction costs on financial instruments 'at fair value through profit or loss' are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets as 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Fund until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement. The financial instruments classified as loans and receivables and 'held-to-maturity' are subsequently measured at amortised costless provision for impairment, if any.

#### Fair Value Measurement Principles

##### Basis of Valuation of Debt Securities

Investment in debt securities are valued at the rates determined and notified by Mutual Fund Association of Pakistan (MUFAP) as per the methodology prescribed through circulars by SECP. The Circulars also specified criteria for application of discretionary discount to yield of any debt security calculated by MUFAP and contain criteria for the provisioning of non-performing debt securities.

Investment in thinly and non-traded securities with maturity up to six months are valued at their amortised cost in accordance with the requirements of circular issued by SECP.



#### **Basis of Valuation of Government Securities**

The fair value of the investments in government securities is determined by reference to the quotations obtained from the PKRV sheet on the Reuters page.

#### **Securities Under Repurchase/Resale Agreements**

Transactions of purchase under resale (reverse-repo) of marketable and government securities, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amounts paid under these agreements are recognised as receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the agreement. All reverse repo transactions are accounted for on the settlement date.

#### **Impairment**

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss events had an impact on the future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolong decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

If, an event occurring after the impairment was recognised causes the amount of impairment to decrease then the decrease in impairment loss is reversed through the Income Statement except for reversal of equity investment classified as 'available for sale'.

Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the criteria laid down by the SECP in Circular No. 1 of 2009, Circular No. 33 of 2012, Circular No. 35 of 2012 and subsequent clarifications thereon. As allowed by SECP, management may also make provision over and above the minimum provision requirement prescribed in the aforesaid circulars. Further the reversal of provisions is also made in accordance with the said circulars and subsequent clarifications.

The Board of Directors of the Management Company has formulated a comprehensive policy for making provision against non-performing investments in compliance with applicable Circular issued by the SECP.

#### **Derecognition**

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial assets expires or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### **Offsetting of Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Fund or the counter parties.

### **3.2 Unit Holders' Fund**

Unit holders' fund representing the units issued by the Fund, is carried at the net asset value representing the investors' right to a residual interest in the Fund assets.

### **3.3 Issue and Redemption of Units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.



Units redeemed are recorded at the redemption price, applicable on units for which the distributors receive redemption applications during business hours on that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

#### **3.4 Element of Income/(Loss) and Capital Gains/(Losses) included in Prices of Units Issued Less those in Units Redeemed**

An equalisation account called the "element of income/(loss) and capital gains/(losses) included in prices of units sold less those in units redeemed" is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income/(loss) and capital gains/(losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in Income Statement and the remaining portion of element of income/(loss) and capital gains/(losses) is held in separate reserve account and at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

#### **3.5 Preliminary Expenses and Floatation Costs**

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from the last day after the close of the IPO period as per the Trust Deed of the Fund.

#### **3.6 Provisions**

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

#### **3.7 Net Assets Value per Unit**

The net assets value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### **3.8 Taxation**

##### **Current**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders of collective investment scheme.

##### **Deferred**

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed to its unit holders every year.

#### **3.9 Revenue Recognition**

- Gains/(losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase transactions and debt securities is recognised on a time proportion basis using effective interest rate method.
- Mark-up on term finance certificates, government securities and money market placements are recognised on an accrual basis.
- Unrealised gains/(losses) arising on valuation of investments classified as fair value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.
- Profit on bank deposits is recognised on time proportion basis using effective interest rate method.
- Miscellaneous income is recognised on receipt basis



### 3.10 Expenses

All expenses including Management fee, Trustee fee and Securities Exchange Commission of Pakistan fee are recognised in the Income Statement on accrual basis.

### 3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

### 3.12 Other Assets

Other assets are stated at cost less impairment losses, if any.

### 3.13 Dividend Distributions and Appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

## 4. BALANCES WITH BANKS

		2017	2016
		(Rupees)	
Balances with Banks			
- PLS Savings Account	4.1 & 4.2	<b>228,144,962</b>	28,034
Pay Order in Hand		-	189,527,136
		<b><u>228,144,962</u></b>	<b><u>189,555,170</u></b>

4.1 Profit rates on the savings accounts range from 3.5% to 6% (2016: 5.5% to 6.5%) per annum.

4.2 During the year ended 30 June 2016, the Commissioner Inland Revenue has placed debit lock on one bank account having available balance of Rs. 10,538 as at 30 June 2017 (refer note 16.2 for details). As no withdrawal can be made, therefore, the Fund has not recognised Rs. 10,419 available in the said account, representing mark-up.

## 5. INVESTMENTS

<b>Available for Sale</b>			
Listed Term Finance and Sukuk Certificates	5.1	-	-
Unlisted Term Finance and Sukuk Certificates	5.2	<b>5,257,250</b>	5,000,000
		<b>5,257,250</b>	5,000,000
<b>'At Fair Value through Profit and Loss'- Held for Trading</b>			
Government Securities	5.3	-	-
<b>Held-to-Maturity</b>			
Certificates of Investment	5.4	-	-
<b>Loans and Receivables</b>			
Certificates of Investment	5.5	<b>16,500,000</b>	-
		<b><u>21,757,250</u></b>	<b><u>5,000,000</u></b>



### 5.1 Listed Term Finance And Sukuks Certificates - Available-For-Sale

Certificates have a face value of Rs. 5,000 each unless stated otherwise

	Note	Number of Certificates				Balance as at 30 June 2017			Market Value as a Percentage of Net Assets	Market Value as a Percentage of Total Investments
		As at 1 July 2016	Purchased During the Year	Disposed/ Matured/ Settled During the Year	As at 30 June 2017	Cost/ Carrying Value	Market Value/ Carrying Cost	Appreciation /(Diminution)		
----- (Rupees) -----										
<b>Financial Services</b>										
Invest Capital Investment Bank Limited	5.1.1	4,000	-	-	4,000	20,000,000	-	-	0%	0%
Trust Investment Bank Limited	5.1.2	10,000	-	10,000	-	-	-	-	0%	0%
<b>Real Estate Investment and Services</b>										
Pace Pakistan Limited	5.1.3	2,800	-	2,800	-	-	-	-	0%	0%
<b>Construction and Material</b>										
Dewan Cement Company Limited	5.1.4	30,000	-	-	30,000	113,097,303	-	-	0%	0%
<b>30 June 2017</b>						<b>133,097,303</b>	<b>-</b>	<b>-</b>		
30 June 2016						177,684,039	-	-		

5.1.1 Invest Capital Investment Bank Limited (ICIBL) defaulted on its payment of principal and mark up due on 18 September 2010. The security was classified as non-performing by MUFAP on 17 May 2012 and accrual of income on the same was suspended. This security was fully provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy.

5.1.2 Trust Investment Bank Limited defaulted on its payment of principal and mark up due on 4 July 2012. The security was classified as non-performing by MUFAP on 18 October 2012 and accrual of income on the same was suspended. This security was provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy. During the year the Fund has sold entire certificates for Rs 2.108 million and recognised gain in income statement. Accordingly the provision has been adjusted against the carrying amount of the investment.

5.1.3 Pace Pakistan Limited defaulted on its payment of principal and mark up due on 21 August 2011. Consequently, the security was classified as non-performing by MUFAP on 5 September 2011 and accrual on the same was suspended. This security has been fully provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy. During the year the Fund has sold entire certificates for Rs 2.097 million and recognised gain in income statement. Accordingly the provision has been adjusted against the carrying amount of the investment.

5.1.4 Dewan Cement Company Limited defaulted on its payments and was classified as non-performing by MUFAP. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy. The Fund has entered into a compromise agreement with Dewan Cement Limited whereby the remaining debt will be paid in thirty one equal quarterly instalments in arrears. The Fund has recognised reversal amounting to Rs 16.755 million on receipt basis. The Fund has suspended mark-up there against.

### 5.2 Unlisted Term Finance and Sukuks Certificates - Available-for-Sale

Certificates have a face value of Rs 5,000 each unless stated otherwise

	Note	Number of Certificates				Balance as at 30 June 2017			Market Value as a Percentage of Net Assets	Market Value as a Percentage of Total Investments
		As at 1 July 2016	Purchased During the year	Disposed/ Matured/ Settled During the Year	As at 30 June 2017	Cost/ Carrying Value	Market Value/ Carrying Cost	Appreciation /(Diminution)		
----- (Rupees) -----										
<b>Unlisted Term Finance Certificates</b>										
<b>Cable and Electric Goods</b>										
New Allied Industries Limited	5.2.1	11,523	-	-	11,523	25,433,190	-	-	0%	0%
<b>Unlisted Sukuks</b>										
<b>Cable and Electric Goods</b>										
TPL Trakker Limited*	5.2.2	5	-	-	5	5,000,000	5,257,250	257,250	2%	24%
<b>Real Estate and Development</b>										
Eden Housing Limited	5.2.3	2,933	-	-	2,933	2,887,171	-	-	0%	0%
<b>30 June 2017</b>						<b>33,320,361</b>	<b>5,257,250</b>	<b>257,250</b>		
30 June 2016						33,320,361	5,000,000	-		

\*Each having face value of Rs. 1,000,000 per certificate



- 5.2.1** New Allied Electronics Industries Limited defaulted on its payment of principal and mark-up due on 25 December 2008. Consequently, the security was classified as non-performing by MUFAP on 9 January 2009 and accrual on the same was suspended. This security has been fully provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy. As mentioned in note 1.1, these TFCs are held in CDC Investor account of the previous Trustee and will only be transferred upon final settlement.
- 5.2.2** These Sukuk certificates carry profit equal to 1 year KIBOR plus 3% receivable quarterly in arrears and will mature in April 2021. The principal amount is redeemable in four six monthly instalments of Rs. 0.25 million per certificate each commencing from October 2019. These Sukuk certificates are secured by hypothecation charge over the hypothecated assets of Rs. 625 million and pledge of shares of TPL Properties Limited in favour of the Trustee of the issuer for the benefit of the certificate holders.
- 5.2.3** Eden Housing defaulted on its payment of principal and mark-up due on 21 April 2011. Consequently, the security was classified as non-performing by MUFAP on 06 May 2011 and accrual on the same was suspended. This security has been provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy.

**5.3 Government Securities - 'At Fair Value through Profit and Loss'- Held for Trading**

Name of Security	As at 1 July 2016	Purchased During the Year	Sold During the Year 2017	As at 30 June	Carrying Value as a Percentage Total Investments	Carrying Value as a Percentage of Net Assets
----- (Rupees) -----						
Treasury Bills	5.3.1	-	200,000,000	200,000,000	-	-
<b>30 June 2017</b>			<b>200,000,000</b>	<b>200,000,000</b>	<b>-</b>	
30 June 2016			-	-	-	

- 5.3.1** This represents T-Bill purchased for a total amount of Rs. 197.28 million through a commercial bank at an auction by State Bank of Pakistan. On 12 June 2017 these T-Bills were sold for a total amount of Rs. 199.21 million.

**5.4 Certificates of Investment - 'Held to Maturity'**

		Balance as at 30 June 2017				Percentage of Net Assets	Percentage of Total Investment
As at 1 July 2016	Purchased During the Year	(Matured/ Settled)	As at 30 June 2017	Provision as at 30 June 2017	Carrying Value as at 30 June 2017		
----- (Rupees) -----							
Trust Investment Bank Limited	5.4.1	8,041,359	-	8,041,359	-	-	-
		Balance as at 30 June 2016				Percentage of net assets	Percentage of total investment
As at 1 July 2015	Purchased during the year	(Matured/ Settled)	As at 30 June 2016	Provision as at 30 June 2016	Carrying value as at 30 June 2016		
----- (Rupees) -----							
Trust Investment Bank Limited		8,041,359	-	-	8,041,359	(8,041,359)	-

- 5.4.1** Trust Investment Bank Limited defaulted in repayment of scheduled amounts in August 2010. Consequently the exposure was fully provided in the books of the Fund in accordance with the provisioning circulars issued by the SECP and Board's approved provisioning policy. During the year the Fund has sold such certificates for Rs 1.045 million and recognised gain in income statement. The provision has been adjusted against the carrying amount of the investment.

**5.5 Certificates of Investment - Loans and Receivables**

		Balance as at 30 June 2017				Percentage of Net Assets	Percentage of Total Investment
As at 1 July 2016	Purchased During the Year	Matured/ Settled	As at 30 June 2017	Provision as at 30 June 2017	Carrying Value as at 30 June 2017		
----- (Rupees) -----							
Orix Leasing Limited	5.5.1	-	33,000,000	16,500,000	16,500,000	-	7%
First Habib Modaraba	5.5.2	-	16,500,000	16,500,000	-	-	76%
		-	<b>49,500,000</b>	<b>33,000,000</b>	<b>16,500,000</b>	-	-



5.5.1 This carry mark-up at 6.25% per annum and will mature on 17 August 2017.

5.5.2 This carry mark-up at 6.00% per annum and matured on 15 February 2017.

**5.6 Movement in Provision against Debt Securities**

	Note	30 June 2017		
		Listed debt securities	Unlisted debt securities	Total
		(Rupees)		
Opening Balance		177,684,039	28,320,361	206,004,400
Less: Reversal of Provision				
- Written Off against Carrying Amount on Sale of Investment	5.1.2 & 5.1.3	(27,831,580)	-	(27,831,580)
- Reversal against Carrying Value Matured	5.1.4	(16,755,156)	-	(16,755,156)
		(44,586,736)	-	(44,586,736)
Closing Balance		133,097,303	28,320,361	161,417,664

**5.7 Details of Non-Compliant Investment with the Investment Criteria as Specified by the Securities and Exchange Commission of Pakistan**

In accordance with Clause (v) of the investment criteria laid down for "income scheme" in Circular no. 7 of 2009 issued by SECP, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at 30 June 2017, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the Circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against such investment as enumerated below:

Type of Investment	Value before Provision	Provision Made	Value after Provision	Percentage of Net Asset	Percentage of Gross Asset
(Rupees)					
Invest Capital Investment Bank Limited	TFC	20,000,000	20,000,000	-	-
Dewan Cement Limited	TFC	113,097,303	113,097,303	-	-
New Allied Electronics Industries Limited	TFC	25,433,190	25,433,190	-	-
Eden Housing Limited	Sukuk	2,887,171	2,887,171	-	-
		161,417,664	161,417,664		

**5.8 Unrealised Appreciation in Fair Value of Investments Classified as 'Available for Sale'**

	2017	2016
(Rupees)		
Fair Value of Investments	5,257,250	5,000,000
Cost of Investment	(5,000,000)	(5,000,000)
Net Unrealised Appreciation in the Fair Value of Investments at the End of the Year	257,250	-

**6. INCOME AND PROFIT RECEIVABLE**

Mark-Up Receivable on:

Bank Deposits	939,700	820,552
Term Finance and Sukuks Certificates	102,592	54,247
Certificate of Deposits	378,596	-
	1,420,888	874,799

**7. ADVANCE INCOME TAX**

This includes Rs. 3.3 million which was erroneously deducted by one of the bank on deposits made by unitholders of the Fund. Management is pursuing the bank for refund and is confident regarding its recovery.



		2017	2016
		(Rupees)	
<b>8. PAYABLE TO MANAGEMENT COMPANY</b>	<i>Note</i>		
Remuneration Payable	8.1	<b>824,893</b>	749,554
Sales Tax Payable	8.2	<b>133,462</b>	128,084
Federal Excise Duty Payable	8.3	<b>1,797,106</b>	1,797,105
Accounting and Operation Charges	8.4	<b>222,756</b>	168,549
		<b><u>2,978,217</u></b>	<b><u>2,843,292</u></b>

8.1 In accordance with Regulation 61 of the NBFC Regulations 2008, the Management Company is entitled to receive a remuneration at the rate not exceeding 2% of the average annual net assets of the Fund. The Management Company has charged its remuneration at the rate of 1.5% per annum for the period until 31 March 2017 and then at 1% till the year end of the average annual net assets of the Fund. The fee is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 336,997 (2016: Rs. 509,688) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act 2011.

8.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax levied by Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On 4 September 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED. The SHC while disposing the Constitutional Petition relating to levy of FED on mutual funds has declared the said provisions to be ultra vires and as a result no FED is payable with effect from 1 July 2011 (i.e. the date on which Sindh Sales Tax on Services Act, 2011 came into force). In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgement of the SHC. The matter is still pending adjudication. With effect from 1 July 2016, FED on services provided or rendered on non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of Management Company with effect from 1 July 2016. However, as a matter of abundant caution the provision made for FED for the period from 13 June 2013 till 30 June 2016 aggregating to R 1.797 million (2016: Rs. 1.797 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision of FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at 30 June 2017 would have been higher by Re. 0.57 per unit (2016: Re. 0.88 per unit).

8.4 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November, 2015, the Management Company of the Fund is entitled for reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to Fund maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less. Accordingly, the Management Company has charged accounting and operational charges to the Fund at the rate of 0.1% per annum of the average annual net assets of the Fund, which is less than the actual expense allocated to the Fund.

**9. PAYABLE TO TRUSTEE**

The Trustee (MCB Financial Services Limited) is entitled to a monthly remuneration for services rendered to the Fund under the provision of the Trust Deed.

The following tariff structure is applicable based on net assets of the Fund:

Amount of funds under management (Average Net Assets Value)	Tariff per Annum
Up to Rs 1 Billion	0.15% on the average daily net assets or Rs 0.6 million whichever is higher
Over Rs 1 Billion	0.09% on amount exceeding Rs 1 billion of average daily net asset of the Fund.

**10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE**

This represents annual fee payable to SECP in accordance with the regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 whereby the Fund is required to pay SECP an amount equal to 0.075% of the average daily net assets.



## 11. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2017	2016
		(Rupees)	
Sindh Workers' Welfare Fund	11.1	1,521,238	-
Workers' Welfare Fund - Federal	11.1	-	4,568,951
Accrued Expenses		561,801	662,717
Other Liabilities		557,425	968,302
Withholding Tax and Zakat Payable	11.2	3,779,700	3,979,188
		<u>6,420,164</u>	<u>10,179,158</u>

- 11.1 The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008, are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of Justice. After deliberating the position, the Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from 1 January 2013 to 30 June 2015 be reversed effective from 12 January 2017. The provision reversed on 12 January 2017, amounted to Rs. 4.569 million. This has resulted in an increase in NAV per unit of Rs. 1.67 on 12 January 2017.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also taken a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. 21 May 2015. Accordingly, on 12 January 2017, MUFAP as an abundant caution, has decided to provide for SWWF with effect from 21 May 2015, while the efforts to exclude mutual funds for SWWF continue. The provision made for SWWF on 12 January 2017, amounted to Rs. 1.132 million. This has resulted in a decrease in NAV per unit of Re. 0.41 on 12 January 2017.

On 12 January 2017, the decisions of MUFAP were communicated to Securities and Exchange Commission of Pakistan (SECP). SECP vide their letter no. SCD/AMCW/MUFAP/2017 -405 dated 1 February 2017, suggested that the matters can be addressed through appropriate disclosure in the financial statements for the information of investors, as the impact of the same is not significant.

The Management Company has recognised SWWF charge for the period from 21 May 2015 to 30 June 2017, amounting to Rs. 1.521 million (June 30, 2016: nil). Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.49 (June 30, 2016: nil).

- 11.2 This represents tax and zakat deducted at source from dividend payable and re-invested units issued to the unitholders of the Fund following the distribution of income.

## 12. MARK-UP/INTEREST INCOME

	2017	2016
	(Rupees)	
Return on:		
- Pls Account	7,729,008	9,357,289
-Term Finance and Sukuks Certificates	1,687,634	3,015,270
-Certificates of Investments	1,404,785	-
-Government Securities	1,942,857	7,475,000
-Profit on Term Deposit Certificates	-	1,818,214
	<u>12,764,284</u>	<u>21,665,773</u>

## 13. AUDITORS' REMUNERATION

Annual Audit	245,000	245,000
Half Yearly Review	90,000	90,000
Code of Corporate Governance	50,000	50,000
Certification Fee	25,000	50,000
Out of Pocket Expenses	95,036	95,036
Sales Tax	34,800	13,400
	<u>539,836</u>	<u>543,436</u>



**14. TOTAL EXPENSE RATIO**

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 0.83% per annum. Total expense ratio (excluding government levies) is 1.94% per annum. The ratio is within the maximum limit of 2% prescribed under the NBFC Regulations 2008 for a collective investment scheme categorised as income fund.

**15. EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average number of units for calculating earnings per unit is not practicable.

**16. TAXATION**

**16.1** The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90 percent of accounting income, the income distributed through bonus units shall not be dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001.

**16.2** The Management Company has filed return of income of the Fund for the years ended 30 June 2013, 2014 and 2015 claiming exemption from taxation on income under clause 99 of Part 1 to the Second Schedule of the Income Tax Ordinance, 2001 (the Ordinance). The Additional Commissioner Inland Revenue (CIR) initially raised notices and then ordered to pay tax for the above referred years by making certain addition to income of the Fund and claiming that exemption under clause 99 is available to only those collective investment schemes, which distribute not less than 90% of its accounting income of that year amongst unit holders on year to year basis. The Management Company of the Fund filed an appeal to Commissioner Inland Revenue (Appeals) (CIR Appeals) claiming that the additions made to the income by the Commissioner were erroneous and the Fund has distributed more than 90% of its income for each of the three years after finalization of financial statements of the Fund after removal of suspension of the operations of the Fund. The CIR Appeals decided the appeal in favour of Management Company and remanded back the case to CIR on the grounds that income tax officer has passed impugned orders in haste without objective appreciation of relevant provisions of law and drew adverse inference on irrelevant assertions and claim of exemption has nothing to do with timely or late filing of the return of income and directed CIR to re-examine the case after giving appellants opportunity of being heard. On 2 March 2017, 30 May 2017 and 15 February 2017 amended tax orders under section 124(1) of the Income Tax Ordinance, 2001, for the tax years 2013, 2014 and 2015 respectively were issued by the Commissioner Inland Revenue raising Nil tax demand in respect of said years. However, the orders further stated that separate proceedings will be conducted for late filing of return and levying of penalty for respective tax years under Section 182 of the Income Tax Ordinance, 2001. No such proceedings have been initiated by the taxation authorities and hence, no provision has been recorded with respect to late filing of income tax returns for respective tax years by the Fund as the management will contest any such proceeding which will be initiated by the taxation authorities.

**17. TRANSACTIONS WITH CONNECTED PERSONS/OTHER RELATED PARTIES**

Related parties/connected persons of the Fund include 786 Investments Limited (formerly Dawood Capital Management Limited) , being Management Company , other collective investment schemes managed by the Management Company, MCB Financial Services Limited, being the Trustee of the Fund , Directors and Officers of the Management Company, other associated undertakings and unit holders holding more than 10 % units in the Fund or any of their connected person.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations 2008 and the Trust Deed respectively.

The transactions with related parties are in the normal course of business and at contracted rates.

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

<b>17.1 Details of the Transactions with Connected Persons/Related Parties are as Follows:</b>	<b>2017</b>	<b>2016</b>
	<b>(Rupees)</b>	
<b>786 Investments Limited (formerly Dawood Capital Management Limited) - Management Company</b>		
Remuneration (Including Indirect Taxes)	<u>2,929,278</u>	<u>4,150,314</u>
Accounting and Operation Charges	<u>222,930</u>	<u>168,549</u>
Issue of 53,393 Units (2016: 17,849 Units)	<u>4,120,060</u>	<u>1,329,208</u>
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration (Including Indirect Taxes)	<u>678,000</u>	<u>718,716</u>



	2017	2016
	(Rupees)	
<b>Directors and Executives of the Management Company</b>		
Issue of 334,366 Units (2016: 447,235 Units)	<u>27,484,506</u>	37,455,444
Redemption of 12,339 Units (2016: 232,870 Units)	<u>1,061,027</u>	<u>18,184,838</u>
<b>Dawood Global Foundation</b>		
Issue of 184,856 Units (2016: NIL)	<u>15,000,000</u>	-
Redemption of 184,856 Units (2016: NIL)	<u>16,286,691</u>	-
<b>BRR Investment Limited</b>		
Issue of 454,772 Units (2016: NIL)	<u>36,906,202</u>	-
Redemption of 38,135 Units (2016: NIL)	<u>3,280,000</u>	-
<b>First Dawood Investment Bank Limited - Employees' Contributory Provident Fund</b>		
Issue of 60,033 Units (2016: 199,060 Units)	<u>4,633,210</u>	16,672,823
Redemption of NIL (2016: 102,694 Units)	<u>-</u>	<u>8,019,327</u>
<b>F. Villiers</b>		
Issue of 287,089 Units (2016: 243,559 Units)	<u>24,608,137</u>	19,000,000
<b>Other Connected Persons/Related Parties</b>		
Issue of 555 Units (2016: NIL Units)	<u>42,844</u>	-

**17.2 Amounts Outstanding as at Year End are as Follows:**

	2017	2016
	(Rupees)	
<b>786 Investments Limited (formerly Dawood Capital Management Limited) - Management Company</b>		
Remuneration Payable	<u>2,978,217</u>	2,843,292
Units Held 260,994 (June 2016: 207,601)	<u>20,599,305</u>	<u>15,774,059</u>
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration Payable	<u>66,738</u>	65,399
<b>First Dawood Investment Bank Limited - Employees' Contributory Provident Fund</b>		
Units Held 228,437 ( June 2016: 168,404)	<u>18,029,729</u>	<u>12,795,756</u>
<b>BRR Investment Limited</b>		
Units Held 416,637 (June 2016: NIL)	<u>32,883,712</u>	-
<b>F. Villiers</b>		
Units Held 530,648 (June 2016: 243,559)	<u>41,882,244</u>	18,506,307
<b>Directors and Executives of the Management Company</b>		
Units Held 717,872 (June 2016: 395,845)	<u>56,659,106</u>	<u>30,076,489</u>
<b>Other Connected Persons/Related Parties</b>		
Units Held 2,371 (June 2016: 1,816 Units)	<u>187,130</u>	<u>137,977</u>



## 18. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund primarily invests in fixed income securities, government securities and money market instruments so as to increase overall return of the investor.

**The Fund's activities expose it to a variety of financial risks which are:**

- Market risk;
- Credit risk; and
- Liquidity risk

### 18.1 Market Risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market prices, such as interest rates, equity prices and foreign exchange rates. The objective of market risk management is to manage market risk exposure within acceptable parameters, while optimizing the return.

The Management Company manages market risk by monitoring exposure on marketable securities by following the restrictions specified in applicable regulations and directives, if any issued by the SECP.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupee.

#### Interest Rate Risk

Interest rate risk 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 Fund holds fixed as well as floating rate debt securities that exposes the Fund to cashflow and fair value interest rate risk due to fluctuation in prevailing levels of market interest rate.

As at 30 June 2017, the investment in debt securities exposed to interest rate risk is detailed in notes 5.1 and 5.2 to these financial statements.

#### Sensitivity Analysis for Variable Rate Instruments

In case of 100 basis points increase/decrease in KIBOR rates on 30 June 2017, with all the other variable held constant, the net assets of the Fund and net income for the year would have been higher/lower by the Rs. 10,822 (2016: Rs. 6,027). Management has determined that a fluctuation of 100 basis points in interest rate is reasonably possible in the current economic environment.

The composition of the Fund's investment portfolio and KIBOR rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2017 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

#### Sensitivity Analysis for Fixed Rate Investments

The Fund accounts for bank balances at cost; hence is not exposed to fair value interest rate risk.

#### Other Price Risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of change in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. As at 30 June 2017, the Fund does not hold any investment exposed to other price risk, accordingly there will be no impact on the net assets of the Fund. Further, the Fund is expecting minimal price fluctuation on its investment in debt securities (i.e. government securities) for change in factors other than those arising from interest rate or currency risk.

### 18.2 Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.



### **Credit Risk Management**

It is the Fund's policy to enter into financial contracts with reputable, diverse and creditworthy counterparties and wherever possible or deemed necessary obtain collaterals. Management closely monitors the creditworthiness of the Fund's counterparties.

#### **Exposure to Credit Risk**

The Fund's exposure to credit risk arises in respect of cash and cash equivalents, deposits and investments in debt securities. The exposure is represented by their carrying amounts reported in the Statement of Assets and Liabilities.

#### **Settlement Risk**

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal due to the short settlement period and also the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

#### **Balances with Banks**

As at 30 June 2017, the Fund kept surplus liquidity with banks having long term credit rating ranging from AA+ to A. The rating to respective banks are assigned by reputable credit rating agencies hence management does not expect to incur credit loss on amounts kept with such banks along with interest receivable from these banks.

#### **Investment in Debt Securities**

Credit risk on debt investments is mitigated by investing primarily in investment grade rated investments and purchase of certificate of investments or making placements with financial institutions having sound credit rating. Where the investment is considered doubtful/becomes non-performing as per the criteria specified in applicable Circular for non performing exposure issued by SECP, a provision is recognised as per the criteria specified therein and also in accordance with provisioning policy of the Fund approved by Board of Directors of the Management Company. The management does not take into account the collateral value while considering investment for impairment testing. Hence the collateral held is assumed to have zero financial effect in mitigating credit risk. The management regards the credit worthiness of the borrower more important than the value of collateral and would be used as force majeure in extremely difficult situation where recovery appears to be unlikely from customary measures like restructuring or negotiation.

Fund has made investment in Sukuk certificates of TPL Trakker Limited having good credit standing. Currently the instrument is rated A+, hence management does not anticipate impairment there against. The Fund had also invested in certain instruments which are subsequently classified as non-performing by MUFAP as disclosed in Note 5.7 to these financial statements. The Fund holds 100% provision against its exposure as more detailed in that note.

#### **Deposits**

Deposits are placed with Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transactions and settlement of listed securities. It is expected that all securities deposited with CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

#### **Past Due and Impaired Assets**

Detail is provided in the investment note in these financial statements.

#### **Concentration of Credit Risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

None of the financial assets and financial liabilities are offset in the Statement of Assets and Liabilities except where the settlement is done through central clearing system.

### **18.3 Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Fund. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's Constitutive Documents and guidelines laid down by SECP. Hence, unit holders' fund appearing in Statement of Assets and Liabilities represents the continuous obligation of the Fund for redemption by its holders.



### Management of Liquidity Risk

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation.

In order to manage the Fund's overall liquidity, the Fund has the ability to withhold redemption requests in excess of ten percent of the units in issue and such request would be treated as redemption qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemptions come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemption during the year. The Fund is also in the process of arranging committed credit lines with commercial banks in order to maintain liquidity against redemption requests.

The table below analyses the Fund's financial liabilities other than redemption of units obligation into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date.

	30 June 2017			Total
	Up to Three Months	More than Three Months and Up to One Year	More Than One Year	
	(Rupees)			
Payable to Management Company	1,047,649	-	-	1,047,649
Payable to Trustee	60,135	-	-	60,135
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	167,162	-	-	167,162
Accrued Expenses and Other Liabilities	387,922	-	-	387,922
Dividend Payable	953,318	-	-	953,318
	<u>2,616,186</u>	<u>-</u>	<u>-</u>	<u>2,616,186</u>
	30 June 2016			
	Up to Three Months	More than three Months and Up to One Year	More Than One Year	Total
	(Rupees)			
Payable to Management Company	918,103	-	-	918,103
Payable to Trustee	58,515	-	-	58,515
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	235,385	-	-	235,385
Accrued Expenses and Other Liabilities	1,631,019	-	-	1,631,019
Dividend Payable	28,304,114	-	-	28,304,114
	<u>31,147,136</u>	<u>-</u>	<u>-</u>	<u>31,147,136</u>

### 18.4 Unit Holders' Fund Risk Management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

### 19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS CATEGORY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of underlying financial assets are determined based on requirements of Regulation 66 of the NBFC Regulations 2008 and directives if any, issued by the SECP. The Fund has an established control framework with respect to the measurement of fair values.

The fair value of financial assets that are traded in active market are based on prices obtained directly from an exchange on which the investments are traded. For unlisted debt securities and debt securities listed but not traded regularly on stock exchange are valued in the manner specified by the SECP.



The Fund measures fair value using the following fair value hierarchy that reflects the significance of the input in making the measurements.

- Level 1** - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2** - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3** - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy to which the fair value is measurement is categorised.

	30 June 2017					Fair value Level 3
	Available- for-sale	Held for trading	Held to maturity	Loans and receivables	Other financial liabilities	
(Rupees)						
<b>Financial Assets Measured at Fair Value</b>						
Investments	-	-	-	-	-	-
- Term Finance and Sukuk Certificates - Listed	-	-	-	-	-	-
- Term Finance and Sukuk Certificates - Unlisted	5,257,250	-	-	-	-	5,257,250
- Government Securities	-	-	-	-	-	-
	<u>5,257,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,257,250</u>
<b>Financial Assets not Measured at Fair Value</b>						
Bank Balances	-	-	228,144,962	-	-	228,144,962
Certificate of Investments - Held-to-Maturity	-	-	-	-	-	-
Certificate of Investments - Loans and Receivables	-	-	16,500,000	-	-	16,500,000
Income and Profit Receivable	-	-	1,420,888	-	-	1,420,888
Deposits with Central Depository Company of Pakistan Limited	-	-	100,000	-	-	100,000
	<u>-</u>	<u>-</u>	<u>246,165,850</u>	<u>-</u>	<u>-</u>	<u>246,165,850</u>
<b>Financial Liabilities Not Measured at Fair Value</b>						
Payable to Management Company	-	-	-	1,047,649	-	1,047,649
Payable to Trustee	-	-	-	60,135	-	60,135
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	-	-	-	167,162	-	167,162
Accrued Expenses and Other Liabilities	-	-	-	387,922	-	387,922
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,662,868</u>	<u>-</u>	<u>1,662,868</u>
30 June 2016						
	Available- for-Sale	Held to Maturity	Loans and Receivables	Other Financial Liabilities	Total	Fair Value Level 3
(Rupees)						
<b>Financial assets measured at Fair Value</b>						
Investments	-	-	-	-	-	-
- Term Finance and Sukuk Certificates - Listed	-	-	-	-	-	-
- Term Finance and Sukuk Certificates - Unlisted	5,000,000	-	-	-	-	5,000,000
	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>
<b>Financial assets not measured at fair value</b>						
Bank Balances	-	-	189,555,170	-	-	189,555,170
Certificate of investments - Held-to-maturity	-	-	-	-	-	-
Income and Profit Receivable	-	-	874,799	-	-	874,799
Deposits with Central Depository Company of Pakistan Limited	-	-	100,000	-	-	100,000
	<u>-</u>	<u>-</u>	<u>190,529,969</u>	<u>-</u>	<u>-</u>	<u>190,529,969</u>
<b>Financial liabilities not measured at fair value</b>						
Payable to Management Company	-	-	-	918,103	-	918,103
Payable to Trustee	-	-	-	58,515	-	58,515
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	-	-	-	1,631,019	-	1,631,019
Accrued Expenses and Other Liabilities	-	-	-	28,304,114	-	28,304,114
	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,911,751</u>	<u>-</u>	<u>30,911,751</u>



For financial assets and financial liabilities not measured at fair value through profit or loss management considers that their carrying amounts approximate fair value because of their short-term nature and the credit quality of counter parties.

The Fund routinely redeems and issues the redeemable units at the amount equal to the proportionate share of net assets of the Fund at the time of issuance and redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to holders of redeemable units approximates their fair value.

**Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy**

	2017	2016
	(Rupees)	
<b>Unlisted Term Finance Certificates &amp; Sukus</b>		
Carrying Value as at Year End	5,000,000	5,000,000
Net Unrealised Appreciation Recognised in Other Comprehensive Income During the Year	257,250	-
Closing Balance	<u>5,257,250</u>	<u>5,000,000</u>

**20. SUPPLEMENTARY NON FINANCIAL INFORMATION**

The information regarding pattern of unit holding, list of top ten brokers, attendance at the meetings of the Board of Directors of the Management Company and members of the Investment Committee are as follows:

**20.1 Pattern of Unit Holding**

	As at 30 June 2017		
	Number of Unit Holders	Investment (Rupees)	Percentage Investment
Individuals	209	103,076,009	42%
Associated Companies, Undertakings and Related Parties	9	84,650,660	34%
Insurance Companies	1	2,345,795	1%
Modarabas	-	-	0%
Directors	3	43,708,321	18%
Others	14	13,956,542	6%
	<u>236</u>	<u>247,737,327</u>	<u>100%</u>
	As at 30 June 2016		
	Number of Unit Holders	Investment (Rupees)	Percentage Investment
Individuals	230	83,214,004	53%
Associated Companies, Undertakings and Related Parties	8	38,590,342	25%
Insurance Companies	2	2,704,012	2%
Modarabas	-	-	0%
Directors	2	20,141,005	13%
Others	14	11,334,125	7%
	<u>256</u>	<u>155,983,488</u>	<u>100%</u>

**20.2** During the year, the fund has paid brokerage of Rs.4,257 to JS globe capital limited. ( 2016 : Rs. NIL ) for the sale of Treasury Bill.

**20.3 Attendance at Meetings of Board of Directors**

During the year, five board meetings were held on 27 July 2016, 28 October 2016, 22 February 2017, 11 April 2017 and 29 June 2017.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	27 July 2016	28 October 2016	22 February 2017	11 April 2017	29 June 2017
Ms. Shafqat Sultana	Present	Present	Present	Present	Present
Ms. Tara Uzra Dawood	Present	Present	Present	Present	Present
Ms. Charmaine Hidayatullah*	Absent	Present	Present	Present	Absent
Mr. Mohammed Izqar Khan*	Present	Present	Absent	Absent	Absent
Mr. Ansar Hussain*	Present	Present	Present	Present	Absent
Mr. Tahir Mehmood	Present	Present	Present	Present	Present
Mr. Syed Farhan Abbas	Present	Present	Present	Present	Present

\*Leave of absence has been granted to absentees of meetings held during the year.



**20.4 Particulars of Investment Committee and Fund Manager**

Details of members of the Investment Committee of the Fund are as follows:

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Ms. Tara Uzra Dawood	Chief Executive Officer	Doctorate of Juridical Science	13 Years
Mr. Umair Manzoor*	Chief Financial Officer and Company Secretary	Associate Chartered Accountant	1.5 Years
Mr. Muhammad Aslam**	Fund Manager	Matriculation	29 Years
Mr. Muhammad Abbas	Assistant Vice President - Finance	MBA Finance	17 Years

\* Mr. Umair Manzoor was appointed as a Chief Financial Officer on 6 February 2017, after resignation of last Chief Financial Officer on 14 December 2016.

\*\* Muhammad Aslam is also acting as a Fund Manager of First Dawood Mutual Fund and Dawood Islamic Fund.

**20.4.1** Mr. Umair Manzoor and Mr. Muhammad Aslam are currently on invitation and their inclusion in Investment Committee will be approved in the upcoming Board Meeting.

**21. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. The effect of rearrangement/reclassification is not considered to be material.

**22. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on **September 18, 2017**

**Chief Financial Officer**

**786 Investments Limited.  
(Management Company)**

**Chief Executive Officer**

**Director**



**PERFORMANCE TABLE / KEY FINANCIAL DATA**

	Year					
	2017	2016	2015	2014	2013	2012
Net assets (Rs in million)	247.74	427.28	499.54	401.27	316.67	495.75
Net Asset Value per units (Rs.)	78.93	16.52	19.32	15.52	12.25	8.54
Offer price per unit	79.72	16.77	19.61	15.57	12.43	8.66
Redemption price per unit	78.93	16.52	19.32	15.52	12.25	8.54
Number of units	3,138,834	25,860,173	25,860,173	25,860,173	25,860,173	58,075,000
Net Profit / (loss) for the year (Rs in million)	35.00	(72.25)	98.27	84.61	96.03	(34.80)
<i>Income Distribution (Rs in million)</i>						
Final	26.87	0.26	3.15	6.00	0.26	-
Interim	-	-	-	-	-	-
<i>Average annual return (%)</i>						
June 30, 2017	16.32%	-	-	-	-	-
June 30, 2016	-	32.68%	-	-	-	-
June 30, 2015	-	-	6.41%	-	-	-
June 30, 2014	-	-	-	6.18%	-	-
June 30, 2013	-	-	-	-	1.43%	-
June 30, 2012	-	-	-	-	-	5.33%



**PROXY ISSUED BY THE FUND**

The proxy voting policy of Fund, duly approved by Board of Directors of the Management Company, is available on the website of Dawood Capital Management Limited i.e. <http://www.edawood.com> A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

Resolutions	For	Against	Abstain
Number (%ages)	NIL	NIL	NIL

www.jamapunji.pk



سرمایہ کاری سمجھداری کے ساتھ



**Be aware, Be alert,  
Be safe**

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

**Key features:**

- 📄 Licensed Entities Verification
- 🔍 Scam meter\*
- 🎮 Jamapunji games\*
- 📊 Tax credit calculator\*
- 🏢 Company Verification
- 📋 Insurance & Investment Checklist
- ❓ FAQs Answered

- 📈 Stock trading simulator  
(based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler\*
- 📊 Financial calculator
- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📖 Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk

@jamapunji\_pk

\*Mobile apps are also available for download for android and ios devices



**BOOK POST**



If undelivered, please return to:  
**DAWOOD INCOME FUND**  
G-3 Ground Floor, B.R.R. Tower,  
Hassan Ali Street,  
Off I.I. Chundrigar Road,  
Karachi - 74000 Pakistan



**Managed By:**  
**786 Investments Limited**  
G-3 Ground Floor, B.R.R. Tower, Hassan Ali Street,  
Off I.I. Chundrigar Road, Karachi - 74000 Pakistan  
Tel: (92-21) 32603751-54  
Email: [dcm@edawood.com](mailto:dcm@edawood.com)  
Website: [www.786investments.com](http://www.786investments.com)