



**DAWOOD**

**Dawood Capital Management Ltd.**

Manager of



**DAWOOD INCOME FUND**

**ANNUAL REPORT  
2016**



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## CORPORATE INFORMATION

<b>Management Company</b>	Dawood Capital Management Limited 5B Lakson Square Building#1 Sarwar Shaheed Road Karachi-74200 Tel: (92-21) 3562-1002-7 Fax: (92-21) 3562-1010 E-mail: dcm@edawood.com Website: www.edawood.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. Waris Jamil	
<b>Audit Committee</b>	Mr. Ansar Hussain Mr. Tahir Mehmood Syed Farhan Abbas	Chairman Member Member
<b>Trustee</b>	MCB Financial Services Limited 3rd Floor, Adamjee House, I.I. Chundrigar Road, Karachi. 74000 PABX: (92-21) 32419770 Fax: (92-21) 32416371 URL: <a href="http://mcbfsl.com.pk">http://mcbfsl.com.pk</a>	
<b>Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
<b>Tax advisor</b>	J.A.S.B. & Associates, Chartered Accountants Office no. 4, Uni Tower, I.I Chandrigar Road, Karachi	
<b>Legal Advisor</b>	Rauf & Ghaffar Law Associates (Advocates & Consultants) Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar – Karachi.	
<b>Registrars</b>	F.D. Registrar Services (SMC-Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi. 74000	
<b>Banker:</b>	AlBaraka 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 Dawood Capital Management Ltd. ("DCM" 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 Fund for the year ended June 30, 2016.

### **Economic Review**

Pakistan's economy underwent substantial progress during the course of fiscal year 2016. Almost all the critical macroeconomic indicators exhibited continuous progress which alleviated the GDP growth to reach 8 year high of 4.7%. The industrial sector activities made significant strides on the back of better energy supply and improved law and order situation. Despite the challenges on external front in the form of declining exports amid deteriorating global growth prospects and heavy agricultural losses, economic recovery process remained on track.

The overall business environment remained buoyant with armed and paramilitary forces playing a key role in reviving stability in the country and restoring investors' confidence. Some of the major industries driving the economic surge during the year under review were automobiles, fertilisers and non-metallic mineral products.

SBP announced six MPS - Monetary Policy Statement during FY16, where discount rate and policy rate was slashed by 75bps from 7.00% to 6.25% and 6.5% to 5.75% respectively which is the all time low interest rate in the history of Pakistan on the back of i) Going forward higher inflationary projections, ii) limited credit uptick, iii) Balance of payments risk in the form of higher trade deficit going forward but China Pakistan Economic Corridor bodes well for future prospects of foreign inflows in the country. During the period under discussion of FY16 money market mostly remained illiquid and SBP conducted various OMO-Injections where the total injected amount was Rs. 57,764.15 billion and the total participation amount was Rs. 60,685.21 billion. SBP conducted fortnightly T bill auctions during FY16 where the total accepted amount was Rs. 4,523.49 billion where the total stipulated target of SBP was Rs. 5,175 billion and the cuts offs were lowered by max 89bps across all three tenors. Cut-offs for the last auction of the FY16 were; 3M - 5.9017%, 6M - 5.9250% and 12M - 5.9590% where they were 6.7963%, 6.8011% and 6.8221% for 3M, 6M & 12M at the start of FY16.

### **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 Karachi 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 management 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 except as disclosed in the statement of compliance annexed with these financial statements.



- 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 are no statutory payment on account of taxes, duties, levies and charges outstanding.

### Changes in Directors

During the year SECP has approved the appointment of directors of Dawood Capital Management Limited dated August 31, 2015. The composition of Board of Directors is as follows:

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

### Board of Directors Meetings

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

<b>Names</b>	<b>Designation</b>	<b>No of Meetings attended</b>
Ms. Shafqat Sultana	Chairperson	6*
Ms. Tara Uzra Dawood	Chief Executive Officer	7
Mr. Ansar Hussain	Director	7
Mr. Muhammad Izqar Khan	Director	5*
Ms. Charmine Hidayullah Khan	Director	5*
Mr. Tahir Mehmood	Director	7
Syed Farhan Abbas	Director	7

\*Leave of absence was granted.



### Audit Committee Meeting

During the year, 4 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	Chairperson	4
Mr. Tahir Mehmood	Member	4
Syed Farhan Abbas	Member	5

### Auditors

The present Auditor, M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants have completed their term of five years are due for retirement. As required under the Code of Corporate Governance, the Audit Committee of Board of Director has recommended the appointment of KPMG Taseer Hadi & Co. Chartered Accountants as auditors for the year ending June 30, 2017.

### Auditors' Report

The Auditors have given their opinion on the financial statements of the fund for the year ended June 30, 2016, wherein they have given emphasis on certain matters. Our response to the above observation is as follows:

- Our response to note 1.3 to the financial statements is that the management is taking necessary steps to ensure all due compliances and the management has conveyed its commitment to SECP to ensure the compliances 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.

### 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, 2016, net assets were Rs. 155.983 million as compared to Rs. 428.17 million as at June 30, 2015. Total operating income for the year was Rs. 44.51 million as compared to Rs.35.18 million for the same period last year. Total expenses during the year were Rs. 6.07 million as compared to Rs. 7.68 million in last year. Element of losses was Rs. 0.239. The net profit before distribution for the financial year 2015-16 was Rs.38.20 million, as compared to Rs. 27.50 million last year. The Net Asset Value per unit was Rs. 75.98 as at June 30, 2016.

### **Dividend**

The Board of Directors has announced cash dividend to unit holders of Rs. 15.57 per unit for the year ended June 30, 2016.

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

1,760,938 units were issued in the current year (2015: Nil units worth Rs. Nil million) and 4,911,462 units were redeemed with a value of Rs. 372.526 million (2014: Nil units worth Rs. Nil million). As on June 30, 2016, the total number of outstanding units was 2,052,882 valued as Rs. 155.983 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, 2016**

The pattern of unit holders as on June 30, 2016 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**

We take the opportunity to thank our investor, business associates, leading banks and financial institutions for putting their trust with us and allowing us to cater to their financial needs. We also appreciate the guidance provided to the fund by the Management Company, the Trustee and the Securities and Exchange Commission of Pakistan. We truly appreciate and value the contribution of our staff who have worked tirelessly to bring quality and growth to the fund and to grow our investor base.

We reaffirm our commitment to our unit holders to further enhance the value of their investment in the Company.

**28 October, 2016  
Karachi.**

**For and on behalf of the  
Board of Directors,**

**Chairperson**



## مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

داؤد کیپٹل مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز ("DCM" یا "کمپنی") داؤد انکم فنڈ ("DIF"/"the Fund") کی مینجمنٹ کمپنی 30 جون 2016 کو ختم ہونے والے سال کی سالانہ رپورٹ اور فنڈ کی آڈٹ کیے گئے مالیاتی گوشوارے پیش کرنے پر خوشی محسوس کرتے ہیں۔

### اقتصادی جائزہ

مالی سال 2016ء کے دوران پاکستان کی معیشت میں معقول حد تک ترقی ہوئی۔ تقریباً تمام اہم معاشی اشاروں (میکرو اکنامکس انڈیکٹرز) نے مسلسل پیش رفت ظاہر کی جس سے جی ڈی پی کی شرح نمو میں کمی کے ساتھ 4.7 فیصد تک حاصل ہوئی جو گزشتہ 8 سال میں بلند ترین سطح ہے۔ صنعتی شعبے کی سرگرمیوں نے توانائی کی فراہمی اور امن و امان کی بہتر صورتحال ہونے کے سبب نمایاں کامیابیاں حاصل کیں۔ بیرونی محاذ پر موجود چیلنجز یعنی برآمدات میں کمی، عالمی ترقی کے بگڑتے ہوئے امکانات اور بھاری زرعی نقصانات کے باوجود بھی اقتصادی بحالی کا عمل پٹری پر رہا۔

مسلح اور نیم فوجی دستوں ملک میں استحکام اور سرمایہ کاروں کا اعتماد بحال کرنے میں ایک اہم کردار ادا کیا اس لئے مجموعی طور پر کاروباری ماحول ہلکا رہا۔ کچھ بڑی صنعتیں جنہوں نے معاشی سرگرمیوں میں دوران سال اضافہ کیا ان میں آٹوموبائلز، کیمیائی کھاد اور غیر دھاتی معدنی پراڈیکٹس کی صنعتیں زیر جائزہ رہیں۔

اسٹیٹ بینک آف پاکستان نے مالی سال 2016 (FY16) کے دوران چھ MPS اعلان کیا تھا۔ مانیٹری پالیسی کے بیان میں جہاں ڈسکاؤنٹ ریٹ اور پالیسی ریٹ 75bps کو بالترتیب 6.25 فیصد سے کم کر کے 7.00 فیصد اور 6.5 فیصد سے کم کر کے 5.75 فیصد کر دیا گیا جو کہ پاکستان کی تاریخ میں سب سے کم سود کی شرح تھی۔ جس کے پیچھے (i) افراط زر کے تخمینے کا بڑھ جانا، (ii) محدود کریڈٹ میں اضافہ ہوجانا، (iii) اعلیٰ تجارتی خسارے کی صورت میں ادائیگیوں کے توازن میں خطرے کا آگے بڑھ جانا۔ لیکن پاک چین اقتصادی راہداری سے مستقبل میں ملک میں غیر ملکی رقوم کی آمد کے امکانات پر خاصا اچھا اثر پڑے گا۔ مالی سال 2016 کی زیر بحث مدت کے دوران کرنسی مارکیٹ زیادہ تر غیر سیالی رہی اور اسٹیٹ بینک نے مختلف OMO-انجیکشن منعقد کئے جہاں 57,764.15 بلین پاکستانی روپے کی کل رقم انجکشن کی گئی اور کل شراکتی رقم 60,685.21 بلین پاکستانی روپے تھی۔ مالی سال 2016 میں اسٹیٹ بینک نے پندرہ روزہ T-Bills کی نیلامیوں کا انعقاد کیا جہاں قبول کی گئی کل رقم 4,523.49 بلین پاکستانی روپے تھی، جہاں اسٹیٹ بینک کا مقرر کردہ ہف 5,175 بلین پاکستانی روپے تھا اور تینوں ٹورز کے Cut-Offs میں 89 bps کی حد تک کمی کی گئی۔ مالی سال 2016 کی گزشتہ نیلامی کے Cut-Offs 3 ملین-5.9017 فیصد، 6 ملین-5.9250 فیصد اور 12 ملین 5.9590 فیصد تھے جو مالی سال 2016 کے آغاز پر 3 ملین، 6 ملین اور 12 ملین کے لئے 6.7963 فیصد، 6.8011 فیصد اور 6.8221 فیصد تھے۔

اسٹاک مارکیٹ کی شروعات علاقائی اور عالمی مارکیٹوں کے ساتھ مطابقت رکھتے ہوئے، اشیاء استعمال میں کارفرماؤں کی جانب سے ایک بگڈ اور عالمی ترقی پر چین کی قیادت کے خدشات کے سبب FY 2015-16 کی شروعات ایک مایوس کن انداز سے ہوئی، لیکن سال کے دوسرے نصف حصے میں ایک مضبوط ریلی کے بعد، مقامی صرافہ بازار نے 9.8 فیصد ریٹرن کے ساتھ سال کا اختتام کیا۔ سال کی پہلی ششماہی کے دوران، خام تیل کی قیمتوں میں اور بلا روک ٹوک غیر ملکی فروخت کے باعث آئل اور گیس سیکنڈ میں تیزی سے کمی ہوئی جس سے مارکیٹ پر دباؤ رہا۔ مارکیٹ نے اگلی ششماہی میں باوجود نقصانات کے خام تیل کی وصولی کے طور پر قیمتوں میں اضافے کے ساتھ بڑے کیپٹل انرجی اسٹاکس سے مضبوط ریٹرن بنانے اور اگلے سال سے پاکستان کے MSCI EM انڈیکس میں دوبارہ داخلے کی اطلاع ہے۔ غیر ملکی فروخت کی اکثریت جذب کرتے ہوئے NBFCs، انفرادی اور میوچول فنڈز نیٹ خریدار رہے۔ غیر مستحکم FY 2015-16 کے بعد رواں مالی سال میں پاکستان MSCI انڈیکس میں شمولیت کے سبب اور نسبتاً مناسب تخمینے اور ترقی کے امکانات کو بہتر بنانے، اور حکومتی توجہ مرکوز ہونے کے سبب



بنیادی ڈھانچوں کے اخراجات پر ساتھ مل کر CPEC منصوبوں پر عمل درآمد ہونے سے ایکویٹیز کے متوازن رہنے کے ساتھ ساتھ مضبوط ریٹرن پوسٹ بھی حاصل کر پایا ہے۔

#### کارپوریٹ گورننس کے ضابطوں کی بہترین انداز سے تعمیل

مینجمنٹ کمپنی "کارپوریٹ گورننس کوڈ" (کوڈ) کے تحت ایک اچھی حکمرانی کا فریم ورک قائم کرنے کے مقصد کے سبب کراچی اسٹاک ایکسچینج کی لسٹنگ کے ضابطے میں موجود ہے جس کے تحت ایک لسٹڈ کوڈ کے بہترین طریقوں کی تعمیل کے ساتھ زیر انتظام ہے مینجمنٹ کمپنی کے ڈائریکٹرز بطور ضرورت یہاں مندرجہ ذیل ضابطے کی شق (xvi) کی تصدیق کرتے ہیں:

- لسٹڈ کمپنی کی انتظامیہ کی جانب سے تیار کیے گئے مالی بیانات، اس کی موجودہ معاملات کی حالت، اپنے تمام آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں ہونے والی تبدیلیاں منصفانہ طور پر ظاہر کرتے ہیں؛
- لسٹڈ کمپنی کے اکاؤنٹ کی بکس کو مناسب طور پر تیار کیا گیا ہے؛
- مالی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کے تسلسل کو لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینوں کے فیصلے معقول اور دانشمندانہ بنیاد پر کئے گئے ہیں؛
- بین الاقوامی مالیاتی رپورٹنگ معیارات جو پاکستان میں قابل عمل ہیں، مالی بیانات کی تیاری میں پیروی کی گئی ہے اور کسی بھی Departure کا مناسب طریقے سے انکشاف اور وضاحت کی گئی ہے؛
- اندرونی کنٹرول کے نظام کا ڈیزائن بہترین ہے اور مؤثر طریقے سے نگرانی سے لاگو کیا گیا ہے اور اسے مزید بہتر بنانے کے لئے کوششیں جاری ہیں، سوائے ان مالیاتی بیانات کے انکشاف سے جن کا یہاں تعمیل کے ساتھ بیان منسلک ہے۔
- لسٹڈ کمپنی پر کوئی اہم شکوک و شبہات نہیں ہیں جس پر کمپنی کی جاری صلاحیتوں پر کوئی تشویش ہو۔
- لسٹنگ کے ضابطوں میں تفصیلی طور درج کیے گئے کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی Material Departure نہیں کیا گیا سوائے ان مالیاتی بیانات کے انکشاف سے جن کا یہاں تعمیل کے ساتھ بیان منسلک ہے۔
- سال کے دوران ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری اور ان میاں بیوی اور ان بچوں کی جانب سے فنڈ کے یونٹس کی کوئی ٹریڈنگ نہیں ہوئی ہے سوائے مالی تفصیلات میں ظاہر کئے گئے متعلقہ نوٹس کے۔
- ٹیکس، ڈیویڈنڈ، لیویز اور بقایا چارجز کی بنا پر کوئی قانونی ادائیگی موجود نہیں ہے۔

#### ڈائریکٹرز میں تبدیلی

دوران سال SECP نے 31 اگست 2015 کو داؤد کیپٹل مینجمنٹ لمیٹڈ کو ڈائریکٹرز کی تقرری کی منظوری دی۔ بورڈ آف ڈائریکٹرز کی تشکیل درج ذیل ہے:

نام	عہدہ	کیٹیگری
مس شفقت سلطانہ	چیئر مین	انڈیپنڈنٹ ڈائریکٹرز
مس تارا عذرا داؤد	چیف ایگزیکٹو آفیسر	ایگزیکٹو ڈائریکٹر
انصار حسین صاحب	ڈائریکٹر	انڈیپنڈنٹ ڈائریکٹرز
محمد ازکار خان صاحب	ڈائریکٹر	انڈیپنڈنٹ ڈائریکٹرز
مس شرمین ہدایت اللہ خان	ڈائریکٹر	انڈیپنڈنٹ ڈائریکٹرز
طاہر محمود صاحب	ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر
سید فرحان عباس صاحب	ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر



### بورڈ آف ڈائریکٹرز کی میٹنگز

سال کے دوران، سات میٹنگز منعقد کی گئیں تھیں۔ ہر ڈائریکٹر میٹنگز میں مندرجہ ذیل حاضری رہی:

میٹنگ میں شرکت	عہدہ	نام
6*	چیئرمین	مس سلطانہ شفقت
7	چیف ایگزیکٹو آفیسر	مس تارا عذرا داؤد
7	ڈائریکٹر	انصار حسین صاحب
5*	ڈائریکٹر	محمد اذکار خان صاحب
5*	ڈائریکٹر	مس شرمین ہدایت اللہ خان
7	ڈائریکٹر	طاہر محمود صاحب

\* غیر موجودگی کی رخصت دی گئی۔

### آڈٹ کمیٹی کی میٹنگ

سال کے دوران، چار اجلاس منعقد ہوئے۔ ہر ممبر کی حاضری مندرجہ ذیل ہے:

میٹنگ میں شرکت	عہدہ	نام
4	چیئرمین	انصار حسین صاحب
4	ممبر	طاہر محمود صاحب
4	ممبر	سید فرحان عباس

### آڈیٹرز

موجودہ آڈیٹر، M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants، نے پانچ سال کے اپنی مدت مکمل کر لی ہے اور ان کی ریٹائرمنٹ ڈیو ہے۔ اب کمپنی کی آڈٹ کمیٹی نے کارپوریٹ گورننس کے کوڈ کے تحت 30 جون 2017 کو ختم ہونے والے سال کے لیے آڈیٹرز کے طور پر KPMG Taseer Hadi & Co کی تقرری کی سفارش دے دی ہے۔



## آڈیٹرز کی رپورٹ

آڈیٹرز نے 30 جون 2016 کو ختم ہونے والے سال کے فنڈ کی مالی بیانات پر اپنی رائے دی ہے جس میں انہوں نے بعض معاملات پر زور دیا ہے۔  
مندرجہ بالا مشاہدے پر ہمارا جواب درج ذیل ہے:

• مالی بیانات کے نوٹ 1.3 نوٹ پر ہمارا جواب یہ ہے کہ انتظامیہ اس بات کو یقینی بنانے کے لئے ضروری اقدامات کر رہی ہے کہ تمام معاملات کی تعمیل ہو اور انتظامیہ نے SECP سے اس عزم کا اظہار کیا ہے کہ وہ کمپنیز آرڈیننس 1984، لسٹنگ کے قواعد و ضوابط، Non Banking Finance Companies and Non-Banking Finance Companies اور Notified Entities Regulations, 2008 (Establishment and Regulation) Rules, 2003، سمیت کمپنی پر لاگو تمام قوانین کی تعمیل کو یقینی بنائے گی۔

## رسک مینجمنٹ

رسک لینا کسی بھی کاروبار کا ایک لازمی جزو ہے اور فلسفہ میں اس کی اس جڑیں رسک بامقابلہ فائدہ ہیں۔ یہی ہے کہ اس صورت میں جتنا بڑا رسک ہو اتنا بڑا فائدہ ہوتا ہے ہمارا بنیادی مقصد یونٹ ہولڈر کی قیمت زیادہ سے زیادہ بنانا ہے لیکن اس کے لئے یہ بہت ضروری ہے کہ رسک ایک قابل برداشت بیان کردہ واضح فریم ورک کے مطابق لیا جائے۔

DIF مختلف اقسام کے Risks جس میں کریڈٹ، لیکویڈیٹی، سود کی شرح، مارکیٹ رسک اور آپریشنل رسک شامل ہیں ہماری رسک مینجمنٹ پالیسیوں اور طریقہ کار اس بات کو یقینی بناتے ہیں کہ رسک کو مؤثر طریقے سے شناخت، تعین، نگرانی اور کنٹرول کیا جائے۔ رسک مینجمنٹ ایک متحرک عمل ہے اور لاحق اندرونی خطرات کے طریقہ کار اور طرز عمل کو انتظامیہ کی مسلسل نگرانی کی ضرورت ہے تاکہ آمدنیوں کی تغیر پذیری کو کم کیا جاسکے۔

بورڈ نے مختلف اقسام کے بینک کے رسک کو منظم کرنے کے لیے مندرجہ ذیل کمیٹیاں تشکیل دے دی ہیں:

- بورڈز آف کمیٹی
- انویسمنٹ کمیٹی

## سٹیٹمنٹ برائے اخلاقیات اور کاروباری طریقے

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے اخلاقیات اور کاروباری طریقوں سے متعلق ایک اسٹیٹمنٹ کو اپنایا ہوا ہے۔ تمام ملازمین اس اسٹیٹمنٹ کے بارے میں نہی اور ان کا کاروباری اور قواعد و ضوابط کے سلسلے میں ان طرز عمل کے قوانین پر عمل کرنا لازمی ہے۔

## حکمت عملی برائے فنڈ

فنڈ کی ترجیح صحت مند لیکویڈیٹی، بقایا قرضوں پر دانشمندانہ فیصلہ سازی اور مستقبل کی سرمایہ کاری پر رسک سے بچتے ہوئے فیصلے کرنا ہے۔ فنڈ مینجمنٹ فعال طور پر بقایا قرضوں کو سیٹل کرنے اور اعلیٰ یونٹ ہولڈر کے تحفظ کو یقینی بنانے پر عمل پیرا ہے۔ اس بات کو یقینی بنانا ہے مستحکم منافع کو پورا کرتے ہوئے کسی بھی اور تمام ریڈیمپشن کی ضرورت کو پورا کرنا فنڈ کی پہلی ترجیح ہے۔



## فندے کی کارکردگی

30 جون 2016 کے مطابق خالص اثاثہ جات 155.983 ملین روپے تھے اور اس کے مقابلے میں 30 جون 2015 میں یہ 428.17 ملین روپے بنے تھے۔ سال کے لئے کل اپریٹنگ آمدنی 44.51 ملین روپے - جبکہ گزشتہ سال کی اسی مدت کے لئے 35.18 ملین روپے تھی سال کے دوران کل اخراجات 6.07 ملین روپے تھے جو گزشتہ سال کے 7.68 ملین روپے تھے۔ نقصانات کے عنصر 0.239 روپے تھا - تقسیم سے پہلے خالص منافع برائے مالی سال 2015-16 ، 38.20 ملین روپے تھا جبکہ گزشتہ سال 27.50 ملین روپے تھا۔ فی یونٹ خالص اثاثے کی قدر 30 جون 2016 کو 75.98 روپے تھی۔

## ڈی وی ڈی ڈ

30 جون 2016 کو ختم ہونے والے سال کے لیے بورڈ آف ڈائریکٹرز نے یونٹ ہولڈرز کے لئے 43.45 روپے فی یونٹ کیش ڈیویڈنڈ کا اعلان کیا ہے۔

## سیلز اور یونٹس کی Redemption

موجودہ سال میں 1,760,938 یونٹس جاری کئے گئے (2015: صفر یونٹس روپے مالیت سے Nil کروڑ) اور 4,911,462 یونٹس 372.526 ملین روپے کی قدر کے ساتھ mredee کیے گئے۔ (2014: صفر یونٹس روپے مالیت سے Nil کروڑ)۔ 30 جون 2016 کو بقایا 2,052,882 یونٹوں کی کل تعداد کے 155.983 ملین روپے لگائی گئی ہے -

## کریڈٹ ریٹنگ

اثاثہ مینیجر کی درجہ بندی (AMR) میں مینجمنٹ کمپنی کی ریٹنگ 'AM3' تھی اور فندے کی معطلی سے قبل پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) کی طرف سے کی گئی درجہ بندی A-(f) تھی۔

## متصل افراد / متعلقہ پارٹیز کے ساتھ ٹرانزیکشن

فندے اور اس سے متعلقہ افراد کے درمیان Arm's Length Basis پر لین دین ان فنانشل اسٹیٹمنٹ کے مطابق ہوا جن کا یہاں بیان منسلک ہے۔

## 30 جون 2016 کے مطابق یونٹ ہولڈرز کے پیٹرن

30 جون 2016 کے مطابق یونٹ ہولڈرز کے پیٹرن کارپوریٹ گورننس کے کوڈ کے تحت جن کی ضرورت ہے ان مالیاتی بیانات کے ساتھ یہاں بیان منسلک ہیں۔

## اہم مالیاتی جھلکیاں

اہم مالیاتی جھلکیوں کا خلاصہ اور ان کے فنانشل اسٹیٹمنٹ منسلک ہیں -

## اعتراف

ہم اپنے سرمایہ کار، بزنس ایسوسی ایشن، معروف بینکوں اور مالیاتی اداروں کا شکریہ ادا کرنے کا موقع حاصل کرتے ہیں جنہوں نے ہم پر بھروسہ کیا اور ہمیں ان کی مالی ضروریات کو پورا کرنے کی اجازت دی۔ ہم مینجمنٹ کمپنی، ٹرسٹی اور سیکورٹیز اور پاکستان کی ایکسچینج کمیشن کی طرف سے فندے کو فراہم کی گئی رہنمائی کی بھی تعریف کرتے ہیں۔ ہم اپنے عملے کی صحیح معنوں میں تعریف اور قدر کرتے ہیں جنہوں نے فندے میں معیار اور ترقی لانے اور ہمارے سرمایہ کار کی بنیاد بڑھانے کے لئے انتھک کام کیا۔



ہم اپنے بونٹ ہولڈرز سے کمپنی میں مزید ان کی سرمایہ کاری کی قیمت بڑھانے کے عزم کی توثیق کرتے ہیں۔

چیئرپرسن  
بورڈ آف ڈائریکٹرز  
کی جانب سے

28 October, 2016 کراچی۔



## **REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2016**

### **Description of The 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 a 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, 2016, net assets were Rs. 155.983 million as compared to Rs. 428.17 million as at June 30, 2015. Total operating income for the year was Rs. 44.51 million as compared to Rs.35.18 million for the same period last year. Total expenses during the year were Rs. 6.07 million as compared to Rs. 7.68 million in last year. Element of losses was Rs. 0.239. The net profit before distribution for the financial year 2015-16 was Rs.38.20 million, as compared to Rs. 27.50 million last year. The Net Asset Value per unit was Rs. 75.98 as at June 30, 2016.

### **Fund Return**

Fund Bench Mark: Avg. 6 Month KIBOR

	YTD Return	YTD Bench Mark
FY 2016	32.68%	9.00%
FY 2015	6.18%	9.00%

Asset Allocation		Asset Quality	
Asset Mix	Jun-2016	Credit Quality	Jun-2016
TFC/Sukuk	2.56%	A	0.00%
Government Securities	0.00%	A+	2.56%
Placements	0.00%	AA-	0.00%
Banks/Cash	95.92%	AA	0.01%
Others	1.52%	Unrated	97.43%

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

Net Assets Value			NAV per unit		
June 30, 2016	June 30, 2015	Change in %	June 30, 2016	June 30, 2015	Change in %
155,983,489	428,173,312	-63%	75.98	82.29	-8%

### **INVESTMENT STRATEGY**

During the year, fund greatly optimized its portfolio and maintained major investments in short-term government securities and bank deposits due to higher risks on other available instruments in the market with efforts to recover fully provided investment portfolio.



Fund maintained sufficient liquidity in the portfolio. The investment strategy of DIF is modeled on a conservative approach towards investments. The Fund's strategy emphasizes the safety of capital and aims to achieve the highest rate of return while maintaining a low risk threshold. Investors are provided the convenience of redeeming units or subscribing to DIF at their discretion.

### Dividend

The Board of Directors has announced total cash dividend to unit holders of Rs. 15.57 per unit for the year ended June 30, 2016 on NAV of Rs 91.55 per unit with Ex-NAV of Rs. 75.98

### Pattern of Unit Holders

Pattern of Certificate Holding As on June 30, 2016		
Number of Certificate Holding		
Investors	From	To
230	0000.1	9,999.9999
14	10,000.0000	49,999.9999
2	50,000.0000	99,999.9999
10	100,000.0000	499,999.9999
-		500,000 & above
256		

### Economic Review

Pakistan's economy underwent substantial progress during the course of fiscal year 2016. Almost all the critical macroeconomic indicators exhibited continuous progress which alleviated the GDP growth to reach 8 year high of 4.7%. The industrial sector activities made significant strides on the back of better energy supply and improved law and order situation. Despite the challenges on external front in the form of declining exports amid deteriorating global growth prospects and heavy agricultural losses, economic recovery process remained on track.

The overall business environment remained buoyant with armed and paramilitary forces playing a key role in reviving stability in the country and restoring investors' confidence. Some of the major industries driving the economic surge during the year under review were automobiles, fertilisers and non-metallic mineral products.

SBP announced six MPS - Monetary Policy Statement during FY16, where discount rate and policy rate was slashed by 75bps from 7.00% to 6.25% and 6.5% to 5.75% respectively which is the all time low interest rate in the history of Pakistan on the back of i) Going forward higher inflationary projections, ii) limited credit uptick, iii) Balance of payments risk in the form of higher trade deficit going forward but China Pakistan Economic Corridor bodes well for future prospects of foreign inflows in the country. During the period under discussion of FY16 money market mostly remained illiquid and SBP conducted various OMO-Injections where the total injected amount was Rs. 57,764.15 billion and the total participation amount was Rs. 60,685.21 billion. SBP conducted



fortnightly T bill auctions during FY16 where the total accepted amount was Rs. 4,523.49 billion where the total stipulated target of SBP was Rs. 5,175 billion and the cuts offs were lowered by max 89bps across all three tenors. Cut-offs for the last auction of the FY16 were; 3M - 5.9017%, 6M - 5.9250% and 12M - 5.9590% where they were 6.7963%, 6.8011% and 6.8221% for 3M, 6M & 12M at the start of FY16.

**Other Disclosures under NBFC Regulations 2008:**

The Fund Manager hereby makes the following disclosures as required under the 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 holder



**Details of Pattern of Holdings (Units)**  
**As at June 30, 2016**

S. No.	Category	No of Unit Holders	Unit Held	Amount	% of Total
1	Directors				
	Ms. Tara Uzra Dawood, CEO	1	265,063	20,140,184	12.91%
2	Associated Companies				
	Dawood Capital Management Ltd.	1	207,601	15,774,073	10.11%
3	Individuals	233	1,168,783	88,807,223	56.93%
4	Insurance Companies	2	35,587	2,703,995	1.73%
5	Banks/DFIs	1	29	2,203	0.00%
6	NBFC	3	20,461	1,554,681	1.00%
7	Others	15	355,358	27,001,128	17.31%
	<b>TOTAL</b>	<b>256</b>	<b>2,052,882</b>	<b>155,983,488</b>	<b>100.00</b>



# MCB FINANCIAL SERVICES LIMITED

## 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 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.

- I. 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 2016 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 the auditor's report and note 1.3 to the financial statements which explains that operations of the Fund remained suspended from 22 March 2013 to 22 January 2015. Further, note 1.4 to the financial statements explains that the management company of the Fund was not able to comply with various regulatory requirements since the operations of the Funds were suspended.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: October 4, 2016



EY Ford Rhodes  
Chartered Accountants  
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## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of Dawood Income Fund (the Fund) for the year ended 30 June 2016 to comply with the requirements of Listing Regulations of the 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 reflects the status of the Management Company'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 part of our audit of 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 Director's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of 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 requirement to the extent of approval of 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 does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Management Company for the year ended 30 June 2016.

We draw attention to clause 1.1 of the Statement which states that the operations of the Fund remained suspended for the period from 22 March 2013 for the reasons explained in the said clause. As a consequence, the Management Company could not comply with the various requirements of the Code. Such non-compliance are enumerated below:

4/12

Serial No	Non-compliance	Clause reference
1	Board of Directors meeting could not be held during the first quarter of the year.	8
2	Management Company could not comply with all the corporate and financial reporting requirements of the Code.	14
3	The Board has formed an audit committee on 07 September 2015. Meetings of the Audit Committee could not be held during the first quarter of the year.	15 & 16
4	The Internal Audit Function was outsourced to a professional firm on 22 April 2016. No Head of Internal Audit was designated during the year.	18
5	Quarterly unaudited financial statements, secondly quarterly reviewed and annual audited financial statements along with directors reviews / reports could not be published and circulated within prescribed time frame;	23
6	Mechanism for an annual evaluation of the Board of Directors' own performance was developed on 29 January 2016.	23

Our conclusion is not qualified in respect of the above matters.

*Et Fawad Mubashir*  
CHARTERED ACCOUNTANTS

Date: 28 October 2016

KARACHI

**DAWOOD CAPITAL MANAGEMENT LIMITED**  
**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR**  
**THE YEAR ENDED JUNE 30, 2016.**

This Statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in the listing regulations of the stock exchange where the Fund is listed 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.

Dawood Income Fund (the Fund), being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), and Chief Financial Officer (CFO)/Company Secretary and other necessary personnel to manage the affairs of the Fund.

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. As at June 30, 2016 the Board includes:

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

- 1.1 The operations of the Fund were suspended from March 22, 2013 by SECP vide order number SCD-SD (Enf./KHI/DCML/2013/61 in pursuance to a show cause notice issued on November 8, 2012 for violation of Regulation 38(a) and Regulation 38(n) of the Non-Banking Finance Companies and Notified Entities Regulation 2008 (NBFC Regulations). Further Securities and Exchange Commission of Pakistan (SECP), cancelled the license of Management Company to undertake the business of Asset Management Services and Investment Advisory Services and trustees were directed to extinguish / revoke the Fund in the interest of unit / certificate holders. During the year 2013 and subsequent to SECP order, certain Directors of the Management Company resigned from the Board of Directors. During the year, SECP has approved the appointment of directors of Dawood Capital Management Limited dated August 31, 2015. Furthermore, The license renewal of AMC is in process of SECP's approval requested vide DCML's letter dated August 5, 2016.
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 NBF1 or, being a member 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 Fund. 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 decision on material transactions have been taken by the Board. During the year, the Board approved the appointment and terms and conditions of employment of the CEO.
8. Board meetings could not be held during the first quarter of the year due to the lack of quorum of directors as disclosed in clause 1.1 of the statement. Board of Directors meeting were held in rest of the quarters of the year.
9. The Board has not arranged any training programs / orientation course for its Directors during the year. However in pursuant of the SECP letter no SMD/SE/2(10) 2016, which has made it mandatory for all listed companies to ensure that by 30 June 2018 , at least half of the directors of the board have certification under any Director's Training Program (DTP). The board will ensure compliance of the same in future.
10. During the year, the Board approved appointment of Chief Financial Officer and Company Secretary. No new appointment of Head of Internal Audit has been made during the year. The terms of remuneration of the Chief Financial Officer and Company Secretary were approved by the Board.
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 Company 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 other than that disclosed in the pattern of shareholding.
14. The Management Company 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 was an independent Director.
16. The meetings of the Audit Committee could not be held during the first quarter of year due to lack of quorum of Directors as disclosed in clause 1.1 of the statement. However all the audit committee meetings were held in the rest of the quarters of the year. The terms of reference of the committee was formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. No meeting of HR and Remuneration Committee was held during the year. Currently, 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.

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18. The internal audit function has been outsourced to a professional firm on April 22, 2016. However, no Head of internal audit has been designated on during the year.
19. The statutory auditors of the Company 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 Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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, 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. We confirm that all other material principles contained in the Code have been complied with except for the following:
  - Quarterly unaudited financial statements, secondly quarterly reviewed and annual audited financial statements along with Directors reviews / reports could not be published and circulated within prescribed time frame.
  - Mechanism for an annual evaluation of the Board of Directors' own performance was developed on January 29, 2016.

*mytr*

Date 28 OCT 2016

*TU Dawood*

On Behalf of the Board of Directors  
**Dawood Capital Management Limited**  
**Tara Uzra Dawood**  
Chief Executive Officer



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
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ey.ah@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### 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 2016, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

#### *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 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 entity'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 entity'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 2016 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

#### *Emphasis of Matter*

We draw attention to note 1.3 to the financial statements which explains that operations of the Fund were suspended for the period from 22 March 2013 to 22 January 2015. Further, note 1.4 to the financial statements explains that the management company of the Fund was not able to comply with various regulatory requirements since the operations of the Funds were suspended.

*Mytr*



Our opinion is not qualified in respect of above matter.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

*EY Fwd Akhbar*

Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 28 October 2016

Karachi



**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2016**

	Note	2016 (Rupees)	2015 (Rupees)
<b>Assets</b>			
Bank balances	4	189,555,170	445,417,771
Investments	5	5,000,000	-
Mark-up / interest receivable	6	874,799	4,125,852
Deposits	7	100,000	100,000
Advance income tax		2,080,867	-
Receivable against redemption of investments		-	366,229
<b>Total assets</b>		<b>197,610,836</b>	<b>450,009,852</b>
<b>Liabilities</b>			
Payable to management company	8	2,843,292	12,253,483
Payable to trustee	9	65,399	1,447,530
Annual fee payable to Securities and Exchange Commission of Pakistan	10	235,385	889,335
Accrued expenses and other liabilities	11	6,199,970	7,246,192
Dividend payable		32,283,302	-
<b>Total liabilities</b>		<b>41,627,348</b>	<b>21,836,540</b>
<b>NET ASSETS</b>		<b>155,983,488</b>	<b>428,173,312</b>
<b>UNIT HOLDER'S FUND (as per statement attached)</b>		<b>155,983,488</b>	<b>428,173,312</b>
<b>Number of units in issue</b>		<b>2,052,882</b>	<b>5,203,406</b>
<b>Net asset value per unit – Rupees</b>		<b>75.98</b>	<b>82.29</b>
Contingencies and commitments	12		

The annexed notes from 1 to 20 form an integral part of these financial statements.

**For Dawood Capital Management Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 (Rupees)	2015 (Rupees)
<b>Income</b>			
Mark-up / interest income on investments and bank balances	13	21,665,773	35,183,984
Gain on sale of available-for-sale securities – net		2,700,000	-
Reversal of Impairment in the value of investments classified as available for sale – net		20,147,541	-
<b>Total Income</b>		<b>44,513,314</b>	35,183,984
<b>Expenses</b>			
Remuneration of management company	8.1	3,138,471	4,158,684
Sales tax on management fee	8.2	509,688	723,611
Federal Excise Duty on management fee	8.3	502,155	665,389
Remuneration of trustee	9	630,453	623,802
Sales Tax on Trustee Fee		88,263	-
Annual fee to Securities and Exchange Commission of Pakistan	10	235,385	311,902
Accounting and operations charges	8.4	168,549	-
Securities' transactions cost		59,847	50,699
Auditor's remuneration	14	543,436	496,808
Bank charges		4,196	794
Workers' Welfare Fund	11.1	-	561,246
Fees and subscription		40,000	40,000
Printing charges		150,000	50,000
<b>Total expenses</b>		<b>6,070,443</b>	7,682,935
<b>Net income from operating activities</b>		<b>38,442,871</b>	27,501,049
Element of (losses) / gains and capital (losses) / gains included in prices of units issued less those in units redeemed - net		(239,702)	-
<b>Net income for the year</b>		<b>38,203,169</b>	27,501,049

The annexed notes from 1 to 20 form an integral part of these financial statements.

**For Dawood Capital Management Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2016 (Rupees)</b>	<b>2015 (Rupees)</b>
Net income for the year	38,203,169	27,501,049
<b>Other comprehensive income</b>		
Net unrealized loss on revaluation of available-for-sale investments	-	(1,707,499)
<b>Total comprehensive income for the Year</b>	<u><u>38,203,169</u></u>	<u><u>25,793,550</u></u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

**For Dawood Capital Management Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2016 (Rupees)</b>	<b>2015 (Rupees)</b>
Undistributed loss brought forward		
- Realised	(92,167,301)	(117,960,851)
- Unrealised	-	(1,707,499)
	(92,167,301)	(119,668,350)
Net income for the year	38,203,169	27,501,049
Final distribution for the year ended 30 June 2016	(31,970,604)	-
Final distribution for the year ended 30 June 2015	(24,768,213)	-
Final distribution for the year ended 30 June 2014	(20,501,420)	-
Final distribution for the year ended 30 June 2013	(3,330,175)	-
	(80,570,412)	-
Undistributed losses carried forward	(134,534,544)	(92,167,301)
<b>Represented by:</b>		
- Realised	(134,534,544)	(92,167,301)
- Unrealised	-	-
	(134,534,544)	(92,167,301)

The annexed notes from 1 to 20 form an integral part of these financial statements.

**For Dawood Capital Management Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 (Rupees)	2015 (Rupees)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		38,203,169	27,501,049
<b>Adjustments for:</b>			
Mark-up / interest income on investments and bank balances		(21,665,773)	(35,183,984)
Reversal of impairment in the value of investments classified as available for sale – net		(20,147,541)	-
Gain on sale of available-for-sale securities – net		(2,700,000)	-
Element of losses / (gains) and capital losses / (gains) included in prices of units issued less those in units redeemed - net		239,702	-
Financial charges		4,196	794
		<u>(6,066,247)</u>	<u>(7,682,141)</u>
<b>Decrease / (increase) in assets</b>			
Investments - net		<u>18,213,770</u>	<u>7,841,552</u>
		18,213,770	7,841,552
<b>(Decrease) / increase in liabilities</b>			
Payable to management company		(9,410,191)	5,547,684
Payable to trustee		(1,382,131)	623,802
Annual fee payable to Securities & Exchange Commission of Pakistan		(653,950)	311,902
Accrued expenses and other liabilities		(1,046,222)	1,035,054
		<u>(12,492,494)</u>	<u>7,518,442</u>
Profit received on investments		24,916,826	41,347,049
Income tax paid		(2,080,867)	-
<b>Net cash inflow from operating activities</b>		<u>22,490,988</u>	<u>49,024,902</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Financial charges paid		(4,196)	(794)
Issue of 1,760,938 units		142,464,196	-
Redemption of 4,911,462 units		(372,526,479)	-
Cash dividend paid		(48,287,110)	-
<b>Net cash used in financing activities</b>		<u>(278,353,589)</u>	<u>(794)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(255,862,601)</u>	49,024,108
Cash and cash equivalents at beginning of the year		445,417,771	396,393,663
Cash and cash equivalents at end of the year	4	<u>189,555,170</u>	<u>445,417,771</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

**For Dawood Capital Management Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**STATEMENT OF MOVEMENTS IN UNIT HOLDER'S FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	2016 (Rupees)	2015 (Rupees)
<b>Net assets at the beginning of the year</b>	428,173,312	402,379,762
Issue of 1,760,938 (2015: Nil) units	142,464,196	-
Redemption of 4,911,462 (2015: nil) units	(372,526,479)	-
	(230,062,283)	-
Element of losses / (gains) and capital losses / (gains) included in prices of units issued less those in units redeemed	239,702	-
Final distribution for the year ended 30 June 2016	(31,970,604)	-
Final distribution for the year ended 30 June 2015	(24,768,213)	-
Final distribution for the year ended 30 June 2014	(20,501,420)	-
Final distribution for the year ended 30 June 2013	(3,330,175)	-
	(80,570,412)	-
Net income for the year	38,203,169	27,501,049
Other comprehensive income	-	(1,707,499)
Total comprehensive income for the year	38,203,169	25,793,550
<b>Net assets as at end of the year</b>	<b>155,983,488</b>	<b>428,173,312</b>
Net asset value per unit at the beginning of the year	82.29	77.33
Net asset value per unit at the end of the year	75.98	82.29

The annexed notes from 1 to 20 form an integral part of these financial statements.

**For Dawood Capital Management Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 1. LEGAL STATUS AND NATURE OF THE BUSINESS

- 1.1 Dawood Income Fund (the Fund) was established under a Trust Deed executed on 8 April 2003 between Dawood Capital Management Limited (DCML) as Management Company and Bank AL-Habib Limited (BAHL) as Trustee. In June 2011, BAHL 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. The registered office of the Management Company is situated at 5B, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi, Pakistan.

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

- 1.2 The Fund is categorized as "income scheme" in accordance with Circular No. 7 of 2009. 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.

### 1.3 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 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 Non-Banking Finance Companies and Notified Entities Regulation 2008 (NBFC Regulations). Further Securities and Exchange Commission of Pakistan (SECP), cancelled the license of DCML to undertake the business of Asset Management Services and Investment Advisory Services and trustees were directed to extinguish / revoke the Fund in the interest of unit / certificate holders .

DCML 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 favor of DCML by the appellant bench.

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

The operations in dealing in units of Fund have been resumed with effect from 7 February 2016 under intimation to SECP and Trustee of the Fund after the Board of Directors of the Management Company has approved all financial statements which were pending since suspension of the Fund.

- 1.4 Due to suspension of operations of the Fund from 22 March 2013 to 22 January 2015, DCML was not able to comply with various requirements of the NBFC Rules, NBFC Regulations and other regulatory requirements. DCML has rectified certain non-compliance during the year. The Board is fully committed to comply with all the regulatory requirements.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

#### 2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for investments which are accounted for as stated in notes 3.1 and 3.2 below.

#### 2.3 Functional and Presentation Currency

These financial statements have been presented in Pakistan Rupees which is the functional and presentation currency of the Fund.



## 2.4 Accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

## 2.5 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

### New Standards, Interpretations and Amendments

The Fund has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 13 - Fair Value Measurement

IAS 27 - Separate Financial Statements - (Amended)

IAS 28 - Investment in Associates and Joint Ventures - (Amended)

The adoption of the above accounting standards did not have any effect on the financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Investment

The investments, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity investment or available for sale investment, as appropriate, in accordance with the requirements of International Accounting Standards (IAS) 39; 'Financial Instruments : Recognition and Measurement'.

All investments are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit and loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are charged in the income statement.

All regular way purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investment. Regular way purchases and sales of investments require delivery of securities within the time frame generally established by regulation or market convention.

The investments of the Fund are classified in the following categories:

#### a) Financial assets at fair value through profit or loss

These include held for trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. After initial measurement, such investments are carried at fair value and the gains or losses on revaluation are recognised in the income statement in the period in which they arise.

#### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise of bank balances, receivable from the sale of securities, advances, deposits and profit receivable.



**c) 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 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 a stock exchange) and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations and directives issued by SECP.

**d) Available for sale**

These are non-derivative financial assets that are designated as available-for-sale and may be sold in response to needs for liquidity or changes in interest rates or market prices or are not classified in any of the three other categories. After initial measurement, such investments are measured at fair value with unrealised gains or losses recognised in other comprehensive income as a part of the unit holders' fund until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in unit holders' fund is taken to the income statement.

Fair value of investments is determined as follows:

Debt securities:

Fair value of debt securities, other than government securities, is determined on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated 06 January 2009, read with Regulation 66(b) of the NBFC Regulations.

Fair value of unlisted debt securities, other than government securities, is also determined by reference to the average rates notified by MUFAP and where such rates are not so notified, with reference to quotations obtained from brokerage houses.

Government securities:

Fair value of government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

**3.2 Impairment**

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement and are reversed through the profit and loss account as well.

Provision of non-performing debt securities is made on the basis of time based criteria as prescribed under Circular No. 01 of 2009 issued by SECP.

To fulfil the requirement of SECP Circular No. 13 dated 04 May 2009 the BOD approved a comprehensive provisioning policy whereby the Investment Committee can make accelerated provision against any debt security or exposure other than debt security after considering the financial difficulties of the issuer, probability of the borrower entering bankruptcy or financial reorganization, deterioration of key financial ratios, downgrade of credit rating, measurable decrease in cash flows and industry outlook.

**3.3 Derecognition**

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

**3.4 Securities under repurchase/resale agreements**

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 included in 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 reverse-repo agreement.

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement using the effective interest method.

**3.5 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 date. The offer price represents the net asset value per unit as of the close of the business day plus provision of duties and charges and provision of transaction costs, if applicable.



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

Redemption of units is recorded on acceptance of application of redemption.

### **3.6 Element of income / (loss) and capital gain / (loss) included in prices of units sold less those in units redeemed**

An equalisation account called the "element of income / (loss) 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 and capital gains in prices of units sold less those in units redeemed" account is credited with the amount representing net income and capital gains accounted for in the net asset value and included in the sale proceeds of units. Upon redemption of units, the "element of income and capital gains in prices of units sold less those in units redeemed" account is debited with the amount representing net income and capital gains accounted for in the net asset value and included in the redemption price.

The "element of income and capital gains in prices of units sold less those in units redeemed" during an accounting period is transferred to the income statement.

### **3.7 Net asset value per unit**

The net asset value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at year end. Net assets are defined in NBFC Regulation, 2008 clause 66.

### **3.8 Taxation**

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income excluding realised and unrealised capital gain for the year is distributed amongst the unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

### **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.

Dividend income is recognised when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, bank deposits, commercial papers, federal government securities and investments in debt securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

### **3.10 Financial instruments**

All the financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

### **3.11 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are only offset and net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **3.12 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of bank balance net of short term running finance under mark-up arrangements, if any.

### **3.13 Provision**

A provision is recognised in the statement of assets and liabilities when the Fund has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.



### 3.14 Distribution to unit holders

Distribution to unit holders is recognised upon declaration and approval by the Board of Directors of the management company.

### 3.15 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	1 January 2018
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	1 January 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	1 January 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	1 January 2016
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	1 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	1 January 2017
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	1 January 2017
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	1 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	1 January 2016

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

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

<b>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9 – Financial Instruments: Classification and Measurement	1 January 2018
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 16 – Leases	1 January 2019



	Note	2016 (Rupees)	2015 (Rupees)
<b>4. BANK BALANCES</b>			
<b>Bank balances</b>			
PLS saving accounts	4.1	28,034	445,417,771
<b>Payorder in hand</b>		<b>189,527,136</b>	-
		<b>189,555,170</b>	<b>445,417,771</b>

4.1 Profit rates on savings accounts range from 5.5% to 6.5% (2015: 5% to 8%) per annum.

#### 5. INVESTMENTS

##### Available for sale securities

Listed term finance certificates and sukus	5.1	-	-
Unlisted term finance certificates and sukus	5.2	5,000,000	-
		<b>5,000,000</b>	-

##### Held-to-maturity

Certificates of Investment	5.3	-	-
		<b>5,000,000</b>	-

5.1	Note	As at 01 July 2015	Purchased during the year	Sold during the year	Matured during the year	As at 30 June 2016	Cost as at 30 June 2016	Market Value/ Carrying Value as at 30 June 2016	Impairment / Unrealised Loss as at 30 June 2016	Return on Investment	Percentage of Net Asset	Percentage of Total Investment	<-----Number of Certificates----->		
													<-----R u p e e s----->		
<i>Financial Services</i>															
	5.1.1	6,000	-	2,000	-	4,000	20,000,000	-	(20,000,000)	1.9% + 6 month KIBOR	-	-			
	5.1.2	10,000	-	-	-	10,000	18,742,500	-	(18,742,500)	1.85% + 6 month KIBOR	-	-			
<i>Real Estate Investment and Services</i>															
	5.1.3	2,800	-	-	-	2,800	9,089,080	-	(9,089,080)	2% + 6 month KIBOR	-	-			
<i>Construction and Material</i>															
	5.1.4	30,000	-	-	-	30,000	129,852,459	-	(129,852,459)	2% + 6 month KIBOR	-	-			
<b>Total Listed term finance certificates and sukus</b>							<b>177,684,039</b>	-	<b>(177,684,039)</b>		-	-			

- 5.1.1** Invest Capital Investment Bank Limited (ICIBL) defaulted on its payment of principal and markup 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. Accordingly, the security was fully provided in accordance with the requirements of SECP's Circular No. 01 of 2009 and the Board's approved provisioning policy.
- 5.1.2** Trust Investment Bank Limited defaulted on its payment of principal and markup due on 4-July-12. The security was classified as non-performing by MUFAP on 18 October 2012 and accrual of income on the same was suspended. Accordingly, the security was provided in accordance with the requirements of SECP's Circular No. 01 of 2009 and the Board's approved provisioning policy.
- 5.1.3** Pace Pakistan Limited defaulted on its payment of principal and markup 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. 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.
- 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. During the year, the Fund has entered into a compromise agreement with Dewan Cement Limited whereby the remaining debt will be paid in thirty one equal quarterly installments in arrears.



Note	As at 01 July 2015	Purchased during the year	Sold during the year	Matured during the year	As at 30 June 2016	Cost as at 30 June 2016	Market Value/ Carrying Value as at 30 June 2016	Impairment / Unrealised Loss as at 30 June 2016	Return on Investment	Percentage of Net Asset	Percentage of Total Investment	
	<----- Number of Certificates ----->					<----- Rupees ----->				<----- % ----->		
<b>5.2 Unlisted term finance certificates and sukus</b>												
<i>Cable &amp; Electric Goods</i>												
New Allied Electronics Industries Limited (15-05-07)	5.2.1	11,523	-	-	-	11,523	25,433,190	-	(25,433,190)	2.75% + 3 month KIBOR	-	-
						<b>25,433,190</b>	<b>-</b>	<b>(25,433,190)</b>				
<i>Sukus</i>												
<b>CABLE &amp; ELECTRICAL GOODS</b>												
TPL Trakker Limited			5	-	-	5	5,000,000	5,000,000	-		3.21	100
<i>Real Estate Development</i>												
Eden Housing Limited (31-03-08)	5.2.2	2,933	-	-	-	2,933	2,887,171	-	(2,887,171)	2.5% + 3 month KIBOR	-	-
						<b>7,887,171</b>	<b>5,000,000</b>	<b>(2,887,171)</b>				
						<b>33,320,361</b>	<b>5,000,000</b>	<b>(28,320,361)</b>				
<b>Total Unlisted term finance certificates and sukus</b>												
						<b>211,004,400</b>	<b>5,000,000</b>	<b>(206,004,400)</b>				

Certificates of Rs. 5,000 each, unless otherwise stated.  
\* Face Value of Rs. 100,000/-

- 5.2.1** New Allied Electronics Industries Limited defaulted on its payment of principal and markup 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. 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.
- 5.2.2** Eden Housing defaulted on its payment of principal and markup 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. Accordingly, the security has been provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.

	As at 1 July 2015	Purchased	(Matured/ Settlement)	Closing as at 30 June 2016	Impairment Loss	Carrying Value as at 30 June 2016	Date of Maturity	Return on Investment	Percentage of Net Asset	Percentage of Total Investments
	<----- Rupees ----->								<----- % ----->	
<b>5.3 Certificates of Investment (COI)</b>										
Trust Investment Bank Limited	8,041,359	-	-	8,041,359	(8,041,359)	-	March 11, 2009	K1	-	-
	<b>8,041,359</b>	<b>-</b>	<b>-</b>	<b>8,041,359</b>	<b>(8,041,359)</b>	<b>-</b>				

- 5.3.1** Trust Investment Bank Ltd. defaulted in repayment of scheduled amounts in August 2010. Investment Committee, on the basis of prudence, has decided to reverse the provision gradually upon receipt of cash.

**5.4 Details of Non Compliance Investments Under SECP Circular No. 16 dated July 07, 2010 are as follows:**

Circular no. 16 dated 7 July 2010 issued by the SECP requires details of investments not compliant with the investment criteria specified by the category assigned to open-end collective investment schemes or the investment requirements of the constitutive documents of the Fund to be disclosed in these condensed interim financial statements of the Fund. Details of such non-compliant investments are given below:

Name of Non-Compliant Investment	Type of Investment	Value Before Provision	Provision Made	Value After Provision	% of Net Assets	% of Gross Assets	Remarks
..... Rupees .....							
Invest Capital Investment Bank	TFC	20,000,000	20,000,000	-	-	-	} Non-Compliant Investment due to credit rating less than required as per SECP Circular No. 7 of 2009.
Trust Investment Bank Limited (04-07-08)	TFC	18,742,500	18,742,500	-	-	-	
Pace Pakistan Limited (15-Feb-08)	TFC	9,089,080	9,089,080	-	-	-	
Dewan Cement Limited	TFC	129,852,459	129,852,459	-	-	-	
New Allied Electronics Industries Limited (15-May-07)	TFC	25,433,190	25,433,190	-	-	-	
Eden Housing Limited (31-Mar-08)	Sukuk	2,887,171	2,887,171	-	-	-	
Trust Investment Bank Limited	COI	8,041,359	8,041,359	-	-	-	



At the time of purchase/investment, the TFCs and Sukuks were in compliance with the investment requirement of the Constitutive Documents and investment restriction parameters laid down in NBFC Regulations or NBFC Rules. However, subsequently they were defaulted or downgraded to non-investment grade or become non-compliant with investment restrictions parameters laid down in NBFC Regulations or NBFC Rules and with the requirements of Constitutive Documents.

5.5 During the year the Fund purchased and redeemed Market Treasury Bills having face value of Rs. 500 million.

#### 6. MARK-UP/INTEREST RECEIVABLE

	Note	2016 (Rupees)	2015 (Rupees)
On			
- Bank deposits		820,552	4,125,852
- Investments			
Term finance certificates and sukuks		54,247	-
		<u>874,799</u>	<u>4,125,852</u>

#### 7. DEPOSITS

Security Deposit with Central Depository Company of Pakistan Limited		<u>100,000</u>	<u>100,000</u>
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#### 8. PAYABLE TO MANAGEMENT COMPANY

Remuneration payable	8.1	749,554	9,349,332
Sales tax payable	8.2	128,084	1,609,201
Federal Excise Duty payable	8.3	1,797,105	1,294,950
Accounting and operations charges	8.4	168,549	-
		<u>2,843,292</u>	<u>12,253,483</u>

8.1. In accordance with the provision of the NBFC Regulations amended vide S.R.O 1160(1) / 2015 dated 25 November, 2015, the Management Company is entitled to receive a remuneration at the rate not exceeding 1.5% of the average annual net assets of the Fund. The Management Company has charged its remuneration at the rate of 1% per annum of the average annual net assets for the year. The fee is payable to the Management Company monthly in arrears.

8.2. During the current year, an amount of Rs. 0.510 million (2015: Rs. 0.724 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

8.3. As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED results in double taxation, does not appear to be the spirit of the law. The matter has been collectively taken up by the Asset Management Companies and Central Depository Company of Pakistan Limited on behalf of schemes through a constitutional petition filed in the Honorable Sindh High Court (SHC) in September 2013 which is pending adjudication.

However, the SHC has issued a stay order against the recovery of FED. The Fund, as a matter of abundant caution, has charged FED and sales tax on service thereon in these financial statements.

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.

#### 9. PAYABLE TO TRUSTEE

Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provision of the Trust Deed at the following rates:

On net assets up to Rs. 1,000 million Rs. 0.6 million or 0.15% per annum of the net assets whichever is higher

On net assets exceeding Rs. 1,000 million Rs. 1.5 million plus 0.09% per annum of the amount exceeding Rs. 1,000 million

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

Under the provisions of Regulation 62 of the NBFC, the Fund is required to pay an annual fee to SECP, an amount equal to 0.075% of the average daily net assets of the Fund.



	Note	2016 (Rupees)	2015 (Rupees)
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Accrued expenses		662,717	1,570,116
Other liabilities		968,302	1,107,125
Workers' Welfare Fund	11.1	4,568,951	4,568,951
		<u>6,199,970</u>	<u>7,246,192</u>

#### 11.1 WORKER'S WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' was made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it was alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year were brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition was filed by certain CISs through their trustees in the Honorable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However, during March 2013, the SHC larger bench issued a judgment in response to various petitions in similar cases whereby the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) have been declared constitutional and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

Further, in May 2014, the Honorable Peshawar High Court held that the impugned levy of contribution introduced in the Ordinance through Finance Act, 1996 and 2009 lacks the essential mandate to be introduced and passed through Money Bill under the constitution and, hence, the amendments made through the Finance Act are declared as 'Ultra Vires'.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, DCML as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 4.569 million up to 30 June 2016. If the same were not made, the NAV per unit would have been higher by Rs. 2.22 per unit (2015: Rs. 0.88 per unit).

The Finance Act 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no provision for WWF was made after 30th June 2015. However, provisions made till 30 June 2015 has not been reversed as the above lawsuit is pending in the SHC.

#### 12. CONTINGENCIES AND COMMITMENTS

12.1 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 I to the Second Schedule of the Income Tax Ordinance, 2001. The Additional Commissioner Inland Revenue (CIR) initially raised notices and then orders 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 scheme, 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 Commission were erroneous and that 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 favor 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 appellant opportunity of being heard. The Management Company of the Fund, based on the opinion of its tax advisor, is confident that the Fund is not required to pay tax under the law and hence, no provision for taxation has been made in these financial statements.

12.2 There were no commitments as at 30 June 2016.

	Note	2016 (Rupees)	2015 (Rupees)
<b>13. MARK-UP / INTEREST INCOME</b>			
Return on:			
Bank deposit		9,357,289	29,664,573
Investments:			
Term finance certificates and sukuk certificates		3,015,270	2,276,081
Term deposit receipt (TDR)		1,818,214	-
Government securities		7,475,000	3,243,330
		<u>21,665,773</u>	<u>35,183,984</u>



	Note	2016 (Rupees)	2015 (Rupees)
<b>14. AUDITORS' REMUNERATION</b>			
Annual audit		245,000	245,000
Half yearly review		90,000	90,000
Code of Corporate Governance		100,000	100,000
Out of pocket expenses		95,036	48,408
Sales tax		13,400	13,400
		<u>543,436</u>	<u>496,808</u>

#### 15. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons of the fund include DCML, other collective investment schemes being managed by DCML, the trustee, directors and key management personnel's, other associated undertakings and unit holders holding more than 10 % units.

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

The transactions with related parties are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

15.1 Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follow:

	2016		2015	
	(Units)	(Rupees)	(Units)	(Rupees)
<b>Units issued to:</b>				
First Dawood Investment Bank Ltd - Employees				
Contributory Provident Fund	199,060	16,672,823	-	-
Florence Villiers	243,559	19,000,000	-	-
Dawood Capital Management Limited	17,849	1,329,208	-	-
Directors, officers and connected persons of the management company	447,235	37,455,444	-	-
<b>Units redeemed by:</b>				
The Bank Of Khyber	4,194,990	315,807,273	-	-
First Dawood Investment Bank Ltd - Employees				
Contributory Provident Fund	102,694	8,019,327	-	-
Directors, officers and connected persons of the management company	232,870	18,184,838	-	-
<b>Balances as at year end:</b>				
<b>Unit holders holding more than 10%</b>				
Tara Uzra Dawood	265,063	20,140,183	-	-
The Bank of Khyber	-	-	4,194,990	345,193,692
Florence Villiers	243,559	19,000,000	-	-

	2016 (Rupees)	2015 (Rupees)
<b>Dawood Capital Management Limited</b>		
Balance as at 01 July	12,253,483	6,705,799
Remuneration for the year including sales tax	4,150,314	5,547,684
Accounting and operations charges	168,549	-
Remuneration paid during the year	(13,729,054)	-
Balances as at 30 June	<u>2,843,292</u>	<u>12,253,483</u>
Investment at year end	15,774,059	15,614,087
Units held (Number of units)	207,601	189,751



	<b>2016</b>	<b>2015</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>MCB Financial Services Limited – Trustee</b>		
Balance as at 01 July	1,447,530	823,728
Remuneration for the year	718,716	623,802
Remuneration paid during the year	<u>(2,100,847)</u>	<u>-</u>
Balances as at 30 June	<u><b>65,399</b></u>	<u><b>1,447,530</b></u>
<b>First Dawood Investment Bank Ltd - Employees Contributory Provident Fund</b>		
Investment at year end	12,795,756	5,927,695
Units held (Number of units)	168,404	72,037
<b>Directors, officers and connected persons of the management company</b>		
Investment at year end	30,076,529	14,933,549
Units held (Number of units)	395,834	181,481

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

**16.1** The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP.

Financial risk in Fund is the possibility that the outcome of an action or event could bring up adverse impacts. Such outcomes could either result in a direct loss of earnings/net assets or may result in imposition of constraints on Fund's ability to meet its business objectives. Such constraints pose a risk as these could hinder a Fund's ability to conduct its ongoing business or to take benefit of opportunities to enhance its business.

These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Regardless of the sophistication of measures, Fund often distinguish between expected and unexpected losses. Expected losses are those that the management knows with reasonable certainty will occur (e.g. the expected decline in prices) and are typically reserved for in some manner. Unexpected losses are those associated with unforeseen events.

Risk management activities broadly take place simultaneously at following different hierarchy levels:

- a) Strategic Level: It encompasses risk management functions performed by senior management and Board of Directors. It is concerned with the overall risk, management of the organization starts with identification of risk, planning to mitigate them, implementation of strategies and monitoring.
- b) Macro Level: It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category.
- c) Micro Level: It involves 'On-the-line' risk management where risks are actually created. This is the risk management activities performed by individuals who take risk on organization's behalf such as front office and transactions origination functions.

Risk management starts at the highest management level. Its responsibility rests with the Board of Directors. Senior management makes sure that the policies of risk management are ingrained in the organization's culture.

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

Concentrations of risk may arise if the Fund has a significant exposure in a single industry, or aggregate exposure in several industries that tend to move together. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Fund Manager is instructed to reduce exposure to manage excessive risk concentrations when they arise.

### 16.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, debt security prices and foreign exchange rates.



**(i) Interest rate risk**

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rate. As of 30 June 2016, the Fund is exposed to such risk in respect of bank balances, term deposits and investment in debt securities. The bank balances are subject to interest rates as declared by the respective bank on a periodic basis. Majority of the debt securities are subject to floating interest rates.

Management of the fund estimates that 1% increase / (decrease) in the market profit rate/fair value, with all other factors remaining constant, would increase / (decrease) the Fund's net assets by;

	Increase / (decrease) in basis points	Sensitivity of profit income Increase/(decrease)
<b>2016</b>	<b>100 (100)</b>	<b>50,280 (50,280)</b>
<b>2015</b>	<b>100 (100)</b>	<b>4,454,178 (4,454,178)</b>

The Fund's exposure to profit rate risk based on contractual repricing and maturity dates, whichever is earlier is as follows:

2016	0 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-Interest bearing	Total
	----- Rupees -----						
Bank balances	28,034	-	-	-	-	189,527,136	189,555,170
Investments	-	-	-	5,000,000	-	-	5,000,000
Mark-up / interest receivable	-	-	-	-	-	874,799	874,799
Deposits	-	-	-	-	-	100,000	100,000
Advance Income Tax	-	-	-	-	-	2,080,867	2,080,867
<b>Total Assets</b>	<b>28,034</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>192,582,802</b>	<b>197,610,836</b>

2015	0 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-Interest bearing	Total
	----- Rupees -----						
Bank balances	445,417,771	-	-	-	-	-	445,417,771
Investments	-	-	-	-	-	-	-
Mark-up / interest receivable	-	-	-	-	-	4,125,852	4,125,852
Deposits	-	-	-	-	-	100,000	100,000
Receivable against investment	-	-	-	-	-	366,229	366,229
<b>Total Assets</b>	<b>445,417,771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,592,081</b>	<b>450,009,852</b>

**(ii) Price risk**

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Fund is not exposed to equity price risk because the Fund does not have equity instruments as at year end.

**(iii) Foreign currency risk**

Foreign 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.



### 16.3 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk 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 redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

In order to manage the Fund's overall liquidity, the Fund has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such request would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests 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 table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

2016	Not later than one month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
-----Rupees-----						
<b>Financial assets</b>						
Bank balances	189,555,170	-	-	-	-	189,555,170
Investments	-	-	-	5,000,000	-	5,000,000
Mark-up / interest receivable	874,799	-	-	-	-	874,799
Deposits	100,000	-	-	-	-	100,000
<b>Sub-total</b>	<b>190,529,969</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>195,529,969</b>
<b>Financial liabilities</b>						
Payable to management company	-	-	2,843,292	-	-	2,843,292
Payable to trustee	-	-	65,399	-	-	65,399
Payable to SECP	-	-	235,385	-	-	235,385
Dividend payable	-	-	6,199,970	-	-	6,199,970
Accrued and other liabilities	-	-	32,283,302	-	-	32,283,302
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>41,627,348</b>	<b>-</b>	<b>-</b>	<b>41,627,348</b>
<b>Liquidity gap</b>	<b>190,529,969</b>	<b>-</b>	<b>(41,627,348)</b>	<b>5,000,000</b>	<b>-</b>	<b>153,902,621</b>
-----Rupees-----						
<b>2015</b>	<b>Not later than one month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
-----Rupees-----						
<b>Financial assets</b>						
Bank balances	445,417,771	-	-	-	-	445,417,771
Investments	-	-	-	-	-	-
Mark-up / interest receivable	4,125,852	-	-	-	-	4,125,852
Deposits	100,000	-	-	-	-	100,000
Receivable against investment	366,229	-	-	-	-	366,229
<b>Sub-total</b>	<b>450,009,852</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>450,009,852</b>
<b>Financial liabilities</b>						
Payable to management company	-	-	12,253,483	-	-	12,253,483
Payable to trustee	-	-	1,447,530	-	-	1,447,530
Payable to SECP	-	-	889,335	-	-	889,335
Accrued and other liabilities	-	-	7,246,192	-	-	7,246,192
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>21,836,540</b>	<b>-</b>	<b>-</b>	<b>21,836,540</b>
<b>Liquidity gap</b>	<b>450,009,852</b>	<b>-</b>	<b>(21,836,540)</b>	<b>-</b>	<b>-</b>	<b>428,173,312</b>



#### 16.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's credit risk is primarily attributable to its investment in term finance certificates, certificates of investment, term deposits and balances with banks. The credit risk on liquid fund is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies, offering document and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a approved rating agency. Due to defaults made by the issuers of certain TFCs the rating of the instrument have down graded from the investment grade. The table below analyses the Fund's maximum exposure to credit risk:

	2016 (Rupees)	2015 (Rupees)
Investments	5,000,000	-
Bank balances	28,034	445,417,771
Mark-up / interest receivable	874,799	4,125,852
Deposits	100,000	100,000
Receivable against redemption of investments	-	366,229
Pay order in hand	189,527,136	-
	<u>195,529,969</u>	<u>450,009,852</u>

16.4.1 The analysis below summarizes the credit quality of the Fund's balances with banks:

	2016		2015	
	(Rupees)	%	(Rupees)	%
AA- to AA+	27,916	0%	24,116	0%
A- to A+	118	0%	445,393,655	100%
A1+ to A+	177,598,074	94%	-	-
A-1 to A	1,522,700	1%	-	-
A1+ to AA-	10,406,362	5%	-	-
<b>Total</b>	<u>189,555,170</u>	<u>100%</u>	<u>445,417,771</u>	<u>100%</u>

16.4.2 The analysis below summarizes the credit quality of the Fund's balances with investee company:

	2016		2015	
	(Rupees)	%	(Rupees)	%
A- to A+	5,000,000	100%	-	100%
<b>Total</b>	<u>5,000,000</u>	<u>100%</u>	<u>-</u>	<u>100%</u>

16.4.3 Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's policy is to maintain a diversified portfolio of financial assets and to enter into transactions with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

#### 16.5 Capital management

The Fund's objective when managing unit holder's funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions. The capital structure depends on the issuance and redemption of units.

#### 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.



Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value. Currently investment of the Fund that are non performing are fully provided.

**18. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by The Board of Directors of the management company on **28 October 2016**.

**19. SUPPLEMENTARY NON FINANCIAL INFORMATION**

The information regarding unit holding pattern, top five brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company has been disclosed in Annexure I to the financial statements.

**20. GENERAL**

**20.1 Figures have been rounded off to nearest Rupee.**

**20.2** The comparative figures have been re-arranged and reclassified for comparison purposes. However, there were no material reclassifications to report.

**For Dawood Capital Management Limited  
(Management Company)**

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

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

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



**SUPPLEMENTARY NON FINANCIAL INFORMATION  
AS REQUIRED UNDER SECTION 6(D), (F), (G), (I) AND (J)  
OF THE FIFTH SCHEDULE TO THE NBFC REGULATIONS**

Annexure – I

**(i) UNIT HOLDING PATTERN OF THE FUND**

	Number of unit holders	Number of units held	Amount	% of Total
Individuals	234	1,168,782	88,807,191	57%
Associated Companies & Directors	1	207,601	15,774,081	10%
Insurance Companies	2	35,587	2,703,996	2%
Banks/DFIs	1	29	2,203	0%
NBFC	3	20,461	1,554,682	1%
Retirement Funds	7	235,832	17,919,148	11%
Others	8	384,590	29,222,188	19%
	<b>256</b>	<b>2,052,882</b>	<b>155,983,488</b>	<b>100%</b>

**(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE**

Name	Designation	Qualification	Experience
Ms. Tara Uzra Dawood	Chief Executive Officer	Doctorate of Juridical Science	12 years
Mr. Waris Jamil	Chief Financial Officer and Company Secretary	ACA	10 years
Mr. Muhammad Abbas	Manager Finance	MBA Finance	16 years

**(iii) MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Following are the names of directors who attended the meetings of the board of directors during the year along with the dates of the meetings.

Name of Director	6-Oct-15	13-Nov-15	30-Nov-15	29-Jan-16	11-Mar-16	22-Apr-16	29-Jun-16
Ms. Shafqat Sultana	P	P	P	P	P	P	Absent
Miss. Tara Uzra Dawood	P	P	P	P	P	P	P
Ms. Charmain Hidayatullah	P	P	Absent	P	P	P	Absent
Mr. Muhammad Izqar Khan	P	P	P	P	Absent	Absent	P
Mr. Ansar Hussain	P	P	P	P	P	P	P
Syed Farhan Abbas	P	P	P	P	P	P	P
Mr. Tahir Mehmood	P	P	P	P	P	P	P

**(iv) RATING OF THE FUND AND THE MANAGEMENT COMPANY**

Asset Manager Rating (AMR) of Management Company was 'AM3-' and that of Fund was 2 star, rated by Pakistan Credit Rating Agency (PACRA) before suspension of the Fund.



**PERFORMANCE TABLE / KEY FINANCIAL DATA**

	Year					
	2016	2015	2014	2013	2012	2011
Net assets (Rs in million)	155.98	428.17	402.38	378.95	397.29	452.13
Net Asset Value per units (Rs.)	75.98	82.29	77.33	72.83	76.76	83.97
Offer price per unit	76.74	83.11	78.10	73.55	77.53	84.81
Redemption price per unit	75.98	82.29	77.33	72.83	76.76	83.97
Number of units	2,052,882	5,203,406	5,203,406	5,203,406	5,175,568	5,384,682
Net Profit / (loss) for the year (Rs in million)	38.20	27.50	22.77	3.70	28.21	66.18
<i>Income Distribution (Rs in million)</i>						
Final	-	24.77	20.50	3.33	25.62	59.77
Interim	31.97	-	-	-	-	-
<i>Average annual return (%)</i>						
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%	-
June 30, 2011	-	-	-	-	-	28.31%








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


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