



DAWOOD

Dawood Capital Management Ltd.

**ANNUAL REPORT
2016**



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CORPORATE INFORMATION

Board of Directors	Ms. Shafqat Sultana	Chairperson
	Miss Tara Uzra Dawood	Chief Executive Officer
	Ms. Charmaine Hidayatullah	Director
	Mr. Mohammad Izqar khan	Director
	Mr. Ansar Hussain	Director
	Mr. Tahir Mehmood	Director
	Syed Farhan Abbas	Director

**Chief Financial Officer &
Company Secretary**

Mr. Waris Jamil

Audit Committee	Mr. Ansar Hussain	Chairman
	Mr. Tahir Mehmood	Member
	Syed Farhan Abbas	Member

Auditors **BDO Ebrahim & Co.**
Chartered Accountants

Human resource Commitee	Mr. Muhammad Izqar Khan	Chairman
	Ms. Shafqat Sultana	Member
	Ms. Tara Uzra Dawood	Member
	Mr. Tahir Mehmood	Member

Tax advisor J.A.S.B. & Associates, Chartered Accountants
Office no. 4, Uni Tower, I.I Chandrigar Road, Karachi

Legal Advisor Rauf & Ghaffar Law Associates (Advocates & Consultants)
Suite # 65, 5th Floor, Fareed Chamber,
Abdullah Haroon Road,
Saddar – Karachi.

Registrars F.D. Registrar Services (SMC-Pvt.) Ltd.
Office# 1705, 17th Floor Saima Trade Tower. A,
I.I. Chundrigar Road, Karachi. 74000

Banker: Habib Metropolitan Bank Limited
Bank Al-Habib Limited



Mission Statement

*To Be The Prominent Funds Manager That
Adds Value For Stakeholders Through
Innovative And Responsible Management*



Notice of Annual General Meeting

Notice is hereby given that the 25th AGM of Dawood Capital Management Limited will be held at its Registered Office, 5B Lakson Square Building No.1, Sarwar Shaheed Road, Karachi on November 30, 2016 at 10:30 a.m. to transact the following business:

Ordinary Businesses

1. To confirm the minutes of 24th Annual General Meeting held on November 30, 2016.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2016 together with Directors' and Auditors' Reports thereon.
3. To consider the appointment of External Auditors and to fix their remuneration for the financial year ending June 30, 2017.

4. SPECIAL BUSINESS

Ordinary Resolutions:

1. Transmission of Annual Accounts

To give effect of S.R.O 470(I)2016 dated May 31, 2016 of the Securities & Exchange Commission of Pakistan ("SECP") shareholder's approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company, however, shall place on its website a standard Request Form to enable intimation to the Company by those members who require hard copy of the Annual Report instead of through CD/DVD/USB. In this regard, the following resolutions are proposed to be passed as Ordinary Resolutions.

RESOLVED that the Company may transmit the annual balance sheet and profit and loss account, auditor's report and director's report, to its members through CD/DVD/USB instead of hard copy at their registered addresses.

FURTHER RESOLVED THAT the standard Request Form be and is hereby placed on Company's website for the purpose of communication of the requisition of annual audited accounts through hard copy.

5. Special Resolutions:

2. Change of Name of the Company

To consider the change of name of Company and pass the following resolution with or without modification as special resolution:

"Resolved that, the name of the Company be and is hereby changed from "Dawood Capital Management Limited to 786 Investments Limited or any other similar name subject to the approval from SECP".

Further Resolved that the new name of the Company will be replaced with the old name wherever appears in MOA and AOA or elsewhere"

FURTHER RESOLVED THAT the Chief Executive Officer and the Company Secretary be and are hereby singly authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of change name of the Company and make necessary submissions and complete legal formalities, as may be required to implement the aforesaid Special Resolutions"



3.Amendment in Article of Association

The Securities & Exchange Commission of Pakistan has issued the Companies (E-Voting) Regulations, 2016 (the "Regulations") on January 22, 2016 vide S.R.O 43(I)/2016 which allows both members and non-members to take part in decision making in the general meeting of the Company through electronic means through an intermediary.

In order to comply with the Regulations, the existing Articles of Association (AOA) of the Company needs to be amended.

To consider, propose and if thought fit, pass with without modification, the Special Resolutions to amend the existing Articles of Association by addition of the following new paragraph in Article 54 and Article 58(iii) in order to bring the effect of the Companies (E-Voting) Regulations, 2016.

RESOLVED THAT the following new paragraph be and is hereby added in the existing Article 54 of the AOA of the Company to be read as follows:

54 Votes of Members

"The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of the other provisions of these Articles and notwithstanding anything contradictory therein".

FURTHER RESOLVED THAT following new paragraph be and is hereby added in the existing Article 58 of the AOA of the Company to be read as follows:

58(iii) Form of Proxy

"An instrument appointing a proxy shall be in the form specified in Regulation 39 of the Table 'A' in the First Schedule to the Ordinance or Schedule II of the Companies (E-Voting) Regulations, 2016 or in any other form which the Directors may approve."

FURTHER RESOLVED THAT the Chief Executive Officer and the Company Secretary be and are hereby singly authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company and make necessary submissions and complete legal formalities, as may be required to implement the aforesaid Special Resolutions"

A statement under Section 160 (1) (b) of the Companies Ordinance, 1984 setting forth all material facts including a draft of the PROPOSED RESOLUTIONS to above special business is annexed to the notice of meeting being sent to the shareholders.

6. Any other Business with the permission of the Chair.

By Order of the Board

**November 9, 2016
Karachi**

**Waris Jamil
CFO & Company Secretary**



Notes:

1. The share transfer books of the Company shall remain closed from November 24, 2016 to November 30, 2016 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1705, 17th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi, if any change of address immediately.
2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. Proxy forms, in order to be effective, must be received at the Registered Office, duly stamped and signed not less than 48 hours before the meeting.
3. The CDC account/sub-account holders are requested to bring with them their computerized National ID Cards (CNIC) along with Participant(s) ID number and their account numbers at the time of attending this meeting in order to facilitate identification of the respective shareholder(s). In respect of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.



**STATEMENT UNDER SECTION 160 (1) (b) OF
THE COMPANIES ORDINANCE 1984**

Transmission of Annual Accounts

To give effect of S.R.O 470(I)2016 dated May 31, 2016 of the Securities & Exchange Commission of Pakistan ("SECP") shareholder's approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company, however, shall place on its website a standard Request Form to enable intimation to the Company by those members who require hard copy of the Annual Report instead of through CD/DVD/USB.

Change of Name of the Company

To consider the change of name of Company from "Dawood Capital Management Limited to 786 Investments Limited or any other similar name subject to the approval from SECP and to that the new name of the Company will be replaced with the old name wherever appears in MOA and AOA or elsewhere.

Amendment in Article of Association

To give effect of the Companies (E-Voting) vide S.R.O 43(I)/2016, the shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting which will give the members option to be part of the decision making in the general meeting of the Company through electronic means.

Votes of Members

"The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of the other provisions of these Articles and notwithstanding anything contradictory therein".

Form of Proxy

"An instrument appointing a proxy shall be in the form specified in Regulation 39 of the Table 'A' in the First Schedule to the Ordinance or Schedule II of the Companies (E-Voting) Regulations, 2016 or in any other form which the Directors may approve."

By Order of the Board
CFO & Company Secretary



Financial Highlights

	2016	2015	2014	2013	2012	2011
	Rupees in Million					
Authorized Capital	200.00	200.00	200.00	200.00	200.00	200.00
Paid-Up Capital	149.74	149.74	149.74	149.74	149.74	149.74
Shareholders' Equity	210.53	237.40	203.33	177.91	150.46	149.05
Total Assets	231.65	254.63	213.84	182.13	154.30	161.66
Short-Term Investment in Securities	2.43	4.29	10.38	4.34	4.97	4.81
Short-Term Investment in Deposits	-	-	-	-	-	-
Income From Investments	-	0.50	0.55	0.09	3.19	0.04
Management Fee	14.07	14.91	11.73	15.53	19.72	19.72
Other Income	1.56	0.26	1.44	0.90	3.90	2.22
Impairment Loss on Investment	(1.73)	(0.89)	(1.56)	(1.38)	(3.71)	(8.02)
Profit/(Loss) Before Taxation	(24.86)	33.52	26.32	27.34	1.08	(0.15)
Taxation	0.16	0.16	0.14	0.08	0.27	0.22
Profit/(Loss) After Taxation	(25.02)	33.36	26.18	27.26	0.81	(0.37)
Book Value Per Share	14.06	15.86	13.58	11.88	10.05	9.96
Earnings Per Share	(1.67)	2.23	1.75	1.82	0.05	(0.02)



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Dawood Capital Management Ltd. ("DCM" or the "Company") is pleased to present the annual report and the audited financial statements of the Company for the year ended June 30, 2016. This Report presents the financial, operating and corporate social responsibility, performance of the Company and highlights the key business challenges faced by us during the year. Despite several challenges, DCM continued its journey of success and has emerged with a more progressive and dynamic outlook.

Company Performance

	June 30, 2016	June 30, 2015
Rupees.....	
Profit Earned on Investments	-	497,556
Management Fees	14,070,176	14,914,371
Other Operating Income	1,559,908	263,473
Gross Revenue	15,630,084	15,675,400
Administration and Operating Expenses	17,561,205	14,983,891
Financial Charges	1,183	1,850
Workers' Welfare Fund	-	684,023
Total Expenses	17,562,388	15,669,764
Share of Associates' (loss)/Profit	(21,204,890)	34,397,243
Impairment Loss on Investments	(1,727,035)	(885,728)
(Loss)/Profit Before Taxation	(24,864,738)	33,517,150
(Loss)/Profit After Taxation	(25,019,630)	33,360,396

The Company's Net Loss during the period stood at Rs. 25.02 million as opposed to profit of Rs. 33.36 million in the same period last year due to share of Associate's loss. The total expenditures were increased to Rs. 17.561 million from Rs. 15.67 million representing 15.42% increase in administrative and operating expenses. Share of Associates' loss was Rs. 25.03 million as compared to Rs. 33.36 million in the same period last year.

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. 57,764.15bn and the total participation amount was Rs. 60,685.21bn. SBP conducted fortnightly T bill auctions during FY16 where the total accepted amount was Rs. 4,523.49bn where the total stipulated target of SBP was Rs. 5,175bn 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.

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with a 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the large cap energy stocks, and news of Pakistan's re-entry in the MSCI EM Index from next year. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger returns this fiscal year due to inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects.

Compliance with the Best Practices of the Code of Corporate Governance

The company complies with the "Code of Corporate Governance" (Code) contained in the listing regulations of the Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Fund is managed in compliance with the best practices of Code. The directors of the Company hereby confirm the following as required by clause (xvi) of the Code:

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



Board of Directors Meetings

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

Names	Designation	No of Meetings attended
Ms. Shafqat Sultana	Chairman	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:

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

Auditors

The present Auditor, M/s BDO Ebrahim & Co., 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 Company has recommended the appointment of Haroon Zakaria & 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 Company for the year ended June 30, 2016, wherein they have given emphasis on certain matters.

- Our response to the note 1.2 is that the Management Company has applied for renewal of license which is in process with SECP.
- Our response to note 1.3 to the financial statements is that the management is taking necessary steps to ensure compliance with the regulation 4 of part I of Non-Banking Finance Companies and Notified Entities Regulations, 2008 to restore the minimum equity shortly.
- Our response to note 1.4 to the financial statements is that SECP vide its letter SCD/AMCW/FDMF/337/2016 dated March 10, 2016 has approved the conversion of the Close-end fund into an Open-end scheme effective from April 7, 2013 under the regulation 65 of Non-Banking Finance Companies (Establishment and Regulation) 2008 by virtue of a scheme of conversion of First Dawood Mutual Fund into an Open



end Scheme under a supplemental Trust Deed executed between DCML as Management Company and CDC as Trustee on June 3, 2016. Subsequently, the operations of the Fund has been restored with effect from August 1, 2016.

- Our response to note 1.5 to the financial statements is that the management has conveyed its commitment to SECP to ensure the compliance with all the laws applicable to Company including Companies Ordinance 1984, Listing rules and regulations, Non Banking Finance Companies and Notified Entities Regulations, 2008 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- Our response to note 2 to the financial statements is that the company filed an appeal in appellate tribunal of SECP against the order of Executive Director SECP dated March 22, 2013 under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997, the appellate tribunal of SECP vide Order dated 22 January 2015 set aside the initial order in its entirety on the grounds stated therein. The appellate tribunal's decision was not appealed in terms of section 34 of the SECP Act and a review application was filed in appellate tribunal against appellate tribunal decision by Executive Director SECP that was rejected by registrar appellatant tribunal SECP and has therefore attained finality.
- Our response to note 8 to the financial statements is that management is in the process to ensure compliance of Regulation 37(7)(k) of Non Banking Finance Companies and Notified Entities Regulations, 2008.

Risk Management

Risk taking is an integral part of any business and is rooted in the philosophy of risk versus reward, that is, higher the risk, greater the reward. Our fundamental objective is to maximize certificate holder's value, but this must be carried out in a clearly articulated risk tolerance framework.

DCM and its Funds are 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 Bank is exposed to:

- Board's Audit Committee
- Investment Committee

Statement of Ethics and Business Practices

The Board of Directors of 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.

Dividend

Based on the above, the Board of Directors of the Company has decided not to distribute any dividend to the shareholders for the year.

Credit Rating

Asset Manager Rating (AMR) of Management Company is 'AM3-' (2012: AM3) before suspension of operations.

Trading in shares of the Company

During the year, no trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses of minor children.

**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 Share Holding as on June 30, 2016

The pattern of shareholding holding 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.

Staff Retirement Benefits

DCM operates a provident fund scheme for all permanent employees details are included in these financial statements.

Events after the Balance Sheet Date

Material events that occurred subsequent to the date of the Balance Sheet that require adjustments / disclosure to the enclosed financial statements are disclosed in these financial statements.

Acknowledgement

We express our most sincere gratitude to our shareholders and valued customers for their continued trust and patronage and our valuable DCM team for their hard work and dedication, Regulatory Authorities particularly the Securities & Exchange Commission of Pakistan, Trustees and our Shariah Advisors for their continued professional guidance and support.

**October 28, 2016
Karachi.**

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

Chairperson



مینجمنٹ کمپنی کے ڈائریکٹرز کی کارکردگی پر رپورٹ

داؤد کیپٹل مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز ("DCM" یا "کمپنی") کی سالانہ رپورٹ اور 30 جون 2016 کو ختم ہونے والے سال کے لئے کمپنی کے آڈٹ کے مالی بیانات پیش کرنے پر مسرت محسوس کرتا ہے۔ یہ رپورٹ کمپنی کی مالی، آپریٹنگ اور کارپوریٹ سوشل ذمہ داری کو پیش کرتی ہے اور سال کے دوران کمپنی کی کارکردگی کو ظاہر کرتی ہے نیز جن کلیدی کاروباری چیلنجز کا ہمیں سامنا کرنا پڑا ان کو نمایاں کرنے میں معاون ہے۔ کئی چیلنجز کے باوجود، DCM نے اپنی کامیابی کا سفر جاری رکھا اور ترقی اور متحرک انداز کے ساتھ مزید ابھرا۔

کمپنی کی کارکردگی

30 جون 2015	30 جون 2016	
روپے ے	روپے ے	
497,556	-	سرمایہ کاری سے حاصل کردہ منافع
14,914,371	14,070,176	مینجمنٹ فیس
263,473	1,559,908	دیگر آپریٹنگ انکم
15,675,400	15,630,084	مجموعی آمدنی
14,983,891	17,561,205	ایڈمنسٹریشن اور آپریٹنگ اخراجات
1,850	1,183	فنانشل چارجز
684,023	-	ورکرز ویلفیئر فنڈ
15,669,764	17,562,388	ٹوٹل اخراجات
34,397,243	(21,204,890)	ایسوسی ایٹس کے شیئرز کا منافع
(885,728)	(1,727,035)	سرمایہ کاری پر نقصان
33,517,150	(24,864,738)	منافع قبل ٹیکسیشن
33,360,396	(25,019,630)	منافع بعد ٹیکسیشن

اس مدت کے دوران کمپنی کا نیٹ نقصان 25.02 ملین روپے رہا جبکہ اس کے مقابل پچھلے سال اسی مدت میں ایسوسی ایٹ کے نقصان کے شیئرز کے سبب منافع 33.36 ملین روپے تھا۔ کل اخراجات میں 15.67 ملین روپے سے بڑھ کر 17.561 ملین روپے ہو گئے جس میں سے 15.42% ایڈمنسٹریشن اور آپریٹنگ اخراجات میں اضافے کی نمائندگی کرتے ہیں۔ ایسوسی ایٹس کے نقصان کا شیئر 25.03 ملین روپے رہا جبکہ اس کے مقابلے میں گزشتہ سال اسی مدت میں 33.36 ملین روپے تھا۔

اقتصادی جائزہ

مالی سال 2016 کے دوران پاکستان کی معیشت میں معقول حد تک ترقی ہوئی۔ تقریباً تمام اہم معاشی اشاروں (میکرو اکنامکس انڈیکس) 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 پراڈکٹس 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 ہو جانا، (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 بل کی نیلامیوں کا انعقاد کیا جہاں قبول کی گئی کل رقم 4,523.49 بلین پاکستانی روپے تھی، جہاں اسٹیٹ بینک کا مقرر کردہ ہدف 5,175 بلین پاکستانی روپے تھا اور تینوں ٹورز کے کٹ آفس میں 89bps کی حد تک کمی کی گئی۔ مالی سال 2016 کی گزشتہ نیلامی کے کٹ آف 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 سیکٹر 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 بنائے اور اگلے سال سے پاکستان کے EM MSCI 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 ایمرجنگ مارکیٹس 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؛



- فنانشل اسٹیٹمنٹ 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 روانگی کا مناسب طریقے سے انکشاف اور وضاحت کی گئی ہے؛
- اندرونی کنٹرول کے نظام کا ڈیزائن بہترین ہے اور مؤثر طریقے زیر 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 تعویل 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 مادی روانگی نہیں کی گئی سوائے ان مالیاتی بیانات کے انکشاف سے جن کا یہاں تعویل کے ساتھ بیان منسلک ہے۔
- سال کے دوران ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری اور ان کے مابین 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، ڈیوٹیز، 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	چیئرمین	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 :



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

* غیر موجودگی کی رخصت دی گئی۔

آڈٹ کمیٹی کی میٹنگ

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

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

آڈیٹرز

موجودہ آڈیٹر، BDO Ebrahim & Co. Chartered Accountants نے پانچ سال کے اپنی مدت مکمل کر لی ہے اور ان کی ریٹائرمنٹ ڈیو ہے۔ اب کمپنی کی آڈٹ کمیٹی نے ضرورت کے مطابق کارپوریٹ گورننس کے کوڈ کے تحت 30 جون 2017 کو ختم ہونے والے سال کے لیے آڈیٹرز کے طور پر Haroon Zakaria & Co. Chartered Accountants کی تقرری کی منظوری دے دی ہے۔

آڈیٹرز کی رپورٹ

30 جون 2016 کو ختم ہونے والے سال کے لئے آڈیٹرز نے کمپنی کی مالی بیانات پر اپنی رائے دی ہے جس میں انہوں نے بعض معاملات پر زور دیا ہے۔



• نوٹ 1.2 کے لئے ہمارا جواب یہ ہے کہ مینجمنٹ کمپنی لائسنس کی تجدید کے لئے درخواست دے چکی ہے جو کہ SECP کے ساتھ زیر عمل میں ہے۔

• نوٹ 1.3 کے مالی بیانات (فنانشل اسٹیٹمنٹ) کے لئے ہمارا جواب یہ ہے کہ انتظامیہ غیر بینکاری مالیاتی کمپنیوں کے حصہ نمبر 1 کے ریگولیشن نمبر 4 اور نوٹیفائنڈ اینٹیٹیز ریگولیشنز 2008 کی تعمیل کو یقینی بنانے کے لئے ضروری اقدامات کر رہی ہے تاکہ جلد ہی کم سے کم ایکوٹی بحال ہوگی۔

• فنانشل اسٹیٹمنٹ کے نوٹ 1.4 کے لئے ہمارا جواب یہ ہے کہ SECP نے اپنے خط SCD/AMCW/FDMF/337/2016 کے تحت 10 مارچ 2016 کو کلوز اینڈ فنڈ کی اوپن اینڈ اسکیم میں تبادلوں کی 7 اپریل 2013 سے غیر بینکاری مالیاتی کمپنیوں (اسٹیبلشمنٹ اور ریگولیٹری) 2008 کے مؤثر ریگولیشن 65 کے تحت منظوری دے چکی ہے جس کے تحت فرسٹ داؤد میوچول فنڈ تبدیلی کی اسکیم کے ساتھ مینجمنٹ کمپنی DCML اور بطور ٹرسٹی CDC کے درمیان 3 جون 2016 کو ایک اضافی ٹرسٹ ڈیڈ اوپن اینڈ اسکیم کے تحت قرار پائی۔ اس کے بعد 1 اگست 2016 سے فنڈ کی کارروائیوں کو بحال کر دیا گیا ہے۔

• فنانشل اسٹیٹمنٹ کے نوٹ 1.5 کے لئے ہمارا جواب یہ ہے کہ انتظامیہ نے SECP سے اپنی ذمہ داری کا اظہار کرتے ہوئے تمام قوانین کی تعمیل کو یقینی بنانے کے ساتھ ساتھ کمپنی پر لاگو کمپنیز آرڈیننس 1984، قواعد و ضوابط، غیر بینکاری مالیاتی کمپنیوں (NBFCs) اور نوٹیفائنڈ اینٹیٹیز ریگولیشنز 2008 اور غیر بینکاری مالیاتی کمپنیوں (اسٹیبلشمنٹ اینڈ ریگولیشن) کے دستور العمل، 2003 سمت تمام لسٹنگ کی تعمیل کو یقینی بنائے گی۔

• فنانشل اسٹیٹمنٹ کے نوٹ نمبر 2 کے لئے ہمارا جواب یہ ہے کہ کمپنی نے 22 مارچ 2013 کو SECP کے اپیلیٹ ٹریبونل میں سیکورٹیز اینڈ ایکسچینج پاکستان ایکٹ 1997 کے تحت SECP کے ایگزیکٹو ڈائریکٹر کے حکم کے خلاف اپیل جمع کروائی تھی ہے کہ جسے اپیلیٹ ٹریبونل نے 22 جنوری 2015 کو SECP کے آرڈر کے تحت اس میں کہے گئے بیان کو مکمل طور پر ابتدائی حکم کی بنیاد پر ایک طرف رکھ دیا تھا۔ اپیلیٹ ٹریبونل کے فیصلے کو SECP ایکٹ کی دفعہ 34 کے لحاظ سے سبب اپیل نہ کی گئی اور اپیلنٹ ٹریبونل کے فیصلے ایک جائزہ درخواست SECP کے ایگزیکٹو ڈائریکٹر کے خلاف اپیلیٹ ٹریبونل میں دائر کی گئی جسے رجسٹرار اپیلنٹ ٹریبونل SECP کی طرف سے مسترد کر دیا تھا اور اس وجہ سے اس درخواست نے خاتمیت حاصل کر لی۔

• فنانشل اسٹیٹمنٹ کے نوٹ نمبر 8 کے لئے ہمارا جواب یہ ہے کہ کمپنی مینجمنٹ غیر بینکنگ مالیاتی کمپنیوں (NBFCs) اور نوٹیفائنڈ اینٹیٹیز ریگولیشنز 2008 کے (k) 37(7) ریگولیشن کے عمل کو یقینی بنانے کے عمل میں ہے۔

رِسک مینجمنٹ

رِسک لینا کسی بھی کاروبار کا ایک لازمی جزو ہے اور فلسفہ میں اس کی اس جڑیں رِسک بامقابلہ فائدہ ہیں یعنی اس صورت میں جتنا بڑا رِسک ہو اتنا بڑا فائدہ ہوتا ہے۔ ہمارا بنیادی مقصد سرٹیفکیٹ ہولڈر کی قدر میں اضافہ کرنا ہے لیکن اس کے لئے یہ بہت ضروری ہے کہ رِسک ایک قابل برداشت بیان کردہ واضح فریم ورک کے مطابق لیا جائے۔

DCM اور اس کے فنڈز کے سامنے مختلف اقسام کے خطرات موجود ہیں جس میں کریڈٹ، لیکویڈیٹی، سود کی شرح، مارکیٹ رِسک اور آپریشنل رِسک شامل ہیں۔ ہماری رِسک مینجمنٹ پالیسیوں اور طریقہ کار اس بات کو یقینی بناتے ہیں کہ رِسک کو مؤثر طریقے سے شناخت، تعین، نگرانی اور کنٹرول کیا جائے۔ رِسک 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 رِسک کو منظم کرنے کے لیے مندرجہ ذیل کمیٹیاں تشکیل دے دی ہیں:

- بورڈز آف کمیٹی
- انویسمنٹ کمیٹی



اسٹیٹمنٹ 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 کو اس اسٹیٹمنٹ کے بارے میں مطلع کر دیا گیا ہے اور ان کا کاروباری اور قواعد و ضوابط کے سلسلے میں ان طرز عمل کے قوانین پر عمل کرنا لازمی ہے۔

ڈیویڈنٹ

کمپنی کے بورڈ آف ڈائریکٹرز نے جیسا کہ اوپر بیان کیا گیا، فیصلہ کیا ہے کہ کمپنی اس سال کسی بھی حصص یافتگان کو ڈیویڈنٹ نہیں دی گی۔

کریڈٹ ریٹنگ

آپریشن کی معطلی سے قبل اٹاٹھ مینیجر کی درجہ بندی (AMR) کے تحت مینجمنٹ کمپنی کی ریٹنگ: 'AM3' (2012) - AM3 تھی۔

کمپنی کے حصص میں ٹریڈنگ

سال کے دوران کمپنی کے حصص میں ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری، CEO، CFO اور ان کے میاں بیوی اور ان بچوں کی جانب سے کوئی ٹریڈنگ نہیں کی گئی۔

متصل افراد / متعلقہ پارٹیز کے ساتھ ٹرانزیکشن

فنڈ اور اس سے متعلقہ افراد کے درمیان فاصلے پر رہ کر لین دین ان فنانشل اسٹیٹمنٹ کے مطابق ہوا جن کا یہاں بیان منسلک ہے۔

30 جون 2016 کے مطابق شیئر ہولڈنگ کے پیٹرن

30 جون 2016 کے مطابق شیئر ہولڈنگ کے پیٹرن کارپوریٹ گورننس کے کوڈ کے تحت ان فنانشل اسٹیٹمنٹ کی ضرورت کے مطابق ہوئے جن کا یہاں بیان منسلک ہے۔

اہم مالیاتی جھلکیاں

اہم مالیاتی جھلکیوں کا خلاصہ اور ان کے مالی بیانات کے یہاں منسلک ہیں۔

اسٹاف ریٹائرمنٹ کے فوائد

DCM اپنے تمام مستقل ملازمین کے لیے پروویڈنٹ فنڈ اسکیم رکھتی ہے جس کی تفصیلات ان مالیاتی بیانات میں شامل ہیں۔



بیلنس شیٹ ڈیٹ کے بعد کے ایونٹس

مٹیریل واقعات جو بیلنس شیٹ کی تاریخ کے بعد واقع ہوئے، کی ضروری ایڈجسٹمنٹ کر کے مالیاتی گوشواروں میں انکشاف کر کے انہیں فنانشل اسٹیٹمنٹ کی تفصیلات کے ساتھ شامل کر دیا گیا ہے۔

اعتراف

ہم حصص یافتگان اور قابل قدر صارفین سے سب سے زیادہ مخلصی کے ساتھ ان کے مسلسل اعتماد اور سرپرستی پر تشکر کا اظہار کرتے ہیں اور ہماری DCM ٹیم کی محنت اور لگن بھی قابل قدر ہے۔ مسلسل پیشہ ورانہ رہنمائی اور مدد کے لئے ہم ریگولیٹری حکام بالخصوص سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، ٹرسٹیز اور ہمارے شریعہ ایڈوائزرز کے شکر گزار ہیں۔

بورڈ آف ڈائریکٹرز

کی جانب سے اور کے لئے

چیئر پرسن

28 October, 2016
کراچی



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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Dawood Capital Management Limited** for the year ended June 30, 2016 to comply with the requirements of Regulation No. 5.19 of Rule Book of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the 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 Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

We draw attention to clause 1.1 of the Statement of compliance which states that the operations of the Funds remained suspended for the period from March 22, 2013 for the reasons as explained in the said clause. The Company could not comply with the various requirements of the Code.

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



We highlight below instances of non-compliance with the requirements of the Code and where these are stated in the Statement of Compliance:

S.NO	CLAUSE REFERENCE	CLAUSE DESCRIPTION
1	8	Board of Directors meeting could not be held during the first quarter of the year.
2	14	Management Company could not comply with all the corporate and financial reporting requirements for the Code.
3	15 and 16	The Board has formed an audit committee on September 07, 2015. Meeting of the Audit Committee could not be held during the first quarter of the year.
4	18	The Internal Audit Function was outsourced to a professional firm on April 22, 2016. No Head of Internal Audit was designated during the year.
5	23	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;
6	23	Mechanism for an annual evaluation of the Board of Directors' own performance was developed on January 29, 2016.

KARACHI

DATED: 28 OCT 2016

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

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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 Company 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.

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

1. The 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 Company /Funds 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 Funds 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 Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI 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 Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies for the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been exercised and 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 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.
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 of the Company/Funds, was determined and intimated to directors , employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. 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.

Date: **28 October, 2016**

On Behalf of the Board of Directors
Dawood Capital Management Limited
Tara Uzra Dawood

Chief Executive Officer



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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DAWOOD CAPITAL MANAGEMENT LIMITED** ("the Company") as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

Waqar Ibrahim & Co. Chartered Accountants

Waqar Ibrahim & Co. is a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and is a member of the international BDO network of independent member firms.



- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016, and of the profits, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without modifying our opinion, we draw attention to:

- (i) note 1.2 to the financial statements which provides details regarding application for renewal of license which is in process with the Securities and Exchange Commission of Pakistan.
- (ii) note 1.3 to the financial statements which details the deficiency in meeting the minimum capital requirement as prescribed by regulation 4 of part I of Non-Banking Finance Companies and Notified Entities Regulations, 2008.
- (iii) note 1.4 to the financial statements which provides details regarding conversion of the closed end fund managed by the Company into open end fund.
- (iv) note 1.5 to the financial statements which provides details regarding non-compliance with requirements of statutory laws and regulations including management's action with respect to these matters.
- (v) note 2 to the financial statements which provides details regarding certain subsequent events relating to the suspension of funds under management.
- (vi) note 8 and 9 to the financial statements which provided details regarding the equity portfolio maintained by the Company which is in non-compliance of Regulation 37(7)(k) of Non-Banking Finance Companies and Notified Entities Regulations 2008 according to which an Asset Management Company shall not maintain its own equity portfolio except for investments made by the Asset Management Company into the Collective Investment Schemes or pension funds managed by it or its subsidiary NBFCs as allowed under Rule 7(2) (h).

KARACHI

DATED: 28 OCT 2016

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Pakistan is a Chartered Accountants

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BALANCE SHEET AS AT JUNE 30, 2016

	June 30, 2016 Rupees	June 30, 2015 Rupees
ASSETS		
NON CURRENT ASSETS		
Property and equipment	7 235,622	468,972
Long-term investments	8 173,704,540	201,955,555
Long-term deposits	36,300	36,300
	173,976,462	202,460,827
CURRENT ASSETS		
Short term investments	9 2,430,294	4,288,754
Loans and advances	10 52,000	-
Short term prepayments	11 15,650	15,650
Other receivables	12 47,309,363	41,074,322
Taxation - net	6,128,966	4,857,423
Cash and bank balances	13 1,740,633	1,929,499
	57,676,906	52,165,648
	231,653,368	254,626,475
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised capital		
20,000,000 ordinary shares of Rs. 10/- each	200,000,000	200,000,000
Issued, subscribed and paid-up capital	14 149,737,500	149,737,500
General reserves	33,630,264	33,630,264
(Deficit) / Surplus on revaluation of available for sale investments	(1,119,841)	738,619
Unappropriated profit	28,278,527	53,298,158
	210,526,450	237,404,541
CURRENT LIABILITIES		
Trade and other payables	15 21,126,918	17,221,934
CONTINGENCIES AND COMMITMENTS		
TOTAL EQUITY AND LIABILITIES	231,653,368	254,626,475

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

Chief Executive

Director



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

		June 30, 2016 Rupees	June 30, 2015 Rupees
	Note		
INCOME			
Remuneration from funds under management	17	14,070,176	14,914,371
Investment income	18	-	497,556
		14,070,176	15,411,927
Impairment against investments	19	(1,727,035)	(885,728)
		12,343,141	14,526,199
EXPENSES			
Administrative and operating expenses	20	17,561,205	14,983,891
Financial charges		1,183	1,850
Workers' Welfare Fund		-	684,023
		17,562,388	15,669,764
Operating loss		(5,219,247)	(1,143,565)
Other operating income	21	1,559,908	263,473
Share of associates' (loss) / profit	22	(21,204,890)	34,397,243
(Loss) / profit before taxation		(24,864,229)	33,517,151
Taxation - current	23	155,401	156,754
Net (loss) / profit for the year		(25,019,630)	33,360,396
(Loss) / earnings per share - basic and diluted	25	(1.67)	2.23

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

Chief Executive

Director



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

	June 30, 2016 Rupees	June 30, 2015 Rupees
Net (loss) / profit for the year	(25,019,630)	33,360,396
Other comprehensive income		
Items that will be reclassified to profit and loss account subsequently (Deficit) / surplus on revaluation of available for sale investments	(1,858,460)	714,792
Total comprehensive (loss) / income for the year	<u>(26,878,090)</u>	<u>34,075,188</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

Chief Executive

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 Rupees	June 30, 2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(24,864,229)	33,517,151
Adjustments for items not involving movement of funds:		
Depreciation on property and equipment	285,632	495,217
Impairment against investments	1,727,035	885,728
Financial charges	1,183	1,850
Gain on disposal of property and equipment	(934,998)	-
Mark-up earned on saving account	(89,910)	(263,473)
Share of associates' profit	21,204,890	(34,397,243)
	<u>22,193,832</u>	<u>(33,277,921)</u>
Operating cash flows before working capital changes	(2,670,397)	239,230
(Increase) / decrease in current assets		
Loans and advances	(52,000)	13,200
Short term prepayments	-	906,788
Other receivables	<u>(6,235,040)</u>	<u>(19,844,419)</u>
	(6,287,040)	(18,924,431)
Increase in current liabilities		
Trade and other payables	<u>3,904,982</u>	<u>6,709,593</u>
	(5,052,455)	(11,975,608)
Income taxes paid / refund - net	(1,426,941)	3,341,819
Financial charges paid	<u>(1,183)</u>	<u>(1,850)</u>
Net cash used in operating activities	(6,480,579)	(8,635,639)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receivable from broker	-	292,614
Investments (purchased) / disposed off-net	-	6,755,168
Long-term investments - net	5,319,090	-
Proceeds from disposal of property and equipment	934,998	-
Receipt of mark-up on saving account	89,910	314,825
Purchase of property and equipment	<u>(52,284)</u>	<u>(123,250)</u>
Net cash generated from investing activities	<u>6,291,714</u>	<u>7,239,357</u>
Net decrease in cash and cash equivalents	(188,865)	(1,396,282)
Cash and cash equivalents at beginning of the year	1,929,499	3,325,781
Cash and cash equivalents at end of the year	<u><u>1,740,634</u></u>	<u><u>1,929,499</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

Chief Executive

Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid-up capital	General reserve	Surplus on revaluation of available for sale investments	Unappropriated profit	Total
	----- Rupees -----				
Balance as at July 1, 2014	149,737,500	33,630,264	23,827	19,937,761	203,329,352
Profit for the year	-	-	-	33,360,396	33,360,396
Other comprehensive income	-	-	714,792	-	714,792
Total comprehensive income for the year	-	-	714,792	33,360,396	34,075,188
Balance as at June 30, 2015	149,737,500	33,630,264	738,619	53,298,157	237,404,540
Profit for the year	-	-	-	(25,019,630)	(25,019,630)
Other comprehensive income	-	-	(1,858,460)	-	(1,858,460)
Total comprehensive income for the year	-	-	(1,858,460)	(25,019,630)	(26,878,090)
Balance as at June 30, 2016	149,737,500	33,630,264	(1,119,841)	28,278,527	210,526,450

The annexed notes from 1 to 33 form an integral part of these financial statements.

For Dawood Capital Management Limited
(Management Company)

Chief Executive

Director



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

1 STATUS AND NATURE OF BUSINESS

- 1.1 Dawood Capital Management Limited (DCML) (the Company) was incorporated on September 18, 1990 as a public limited company in Pakistan, with its registered office at 5B Lakson Square Building No. 1, Sarwar Shaheed Road, Karachi. The Company is listed on Pakistan Stock Exchange (formerly: Karachi Stock Exchange).

The Company is registered as a Non Banking Finance Company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Company has obtained the licenses to carry out investment advisory services and asset management services under the NBFC Rules and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

- 1.2 The Company has floated the following open end funds;

- Dawood Income Fund
- Dawood Islamic Fund
- First Dawood Mutual Fund

According to Non Banking Finance Companies and Notified Entities Regulations 2008, a Non Banking Finance Company (NBFC) or a Notified Entity (NE) is required to pay to SECP all fees prescribed under Schedule II and the license granted to the NBFC shall be valid for three years from the date of its issuance and shall be renewable upon expiry of the said period by making an application at least one month prior to the expiry. The Management Company with reference to the letter of application dated August 5, 2016, has applied for renewal of license which is in process with SECP.

- 1.3 In accordance with regulation 4 of part I of Non-Banking Finance Companies and Notified Entities Regulations, 2008 an NBFC licensed by the Commission to undertake Asset Management Services and Investment Advisory Services is required to maintain equity amounting to Rs. 230 million by June 30, 2013. As at the year end the Company's equity amounted to Rs. 206.844 million. The Company's financial statements for the year ended June 30, 2015 are being prepared on a going concern basis as the management is taking necessary steps to ensure compliance with the aforesaid regulation to comply with the minimum equity shortly. Furthermore, the Company has written to the Securities and Exchange Commission of Pakistan (SECP) seeking an extension in compliance with the aforementioned regulation. SECP has required further documents against the application of extension in compliance with the minimum equity and the management is in the process of providing further information.

- 1.4 In compliance with the regulation 65 of the NBFC Regulations, the Management Company has held a meeting of certificate holders of First Dawood Mutual Fund (FDMF) on February 15, 2013 and in such meeting, both the resolutions have not been passed by the simple majority of total outstanding certificates. 28% of the total outstanding certificate holders voted in favor of conversion to an open end fund whereas 24% favored the revocation of the closed end fund.

The outcome of the meeting has been communicated to the stock exchanges and the Securities and Exchange Commission of Pakistan (SECP).

SECP vide its letter No. SCD/AMCW/DCML/151/2015 asked Board to show approved commitment and timeline in respect of conversion of closed end fund into open end fund. During the year, Board of Directors in their meeting held on November 13, 2015 has directed the management to implement the advice of SECP. The Company filed an application on December 23, 2015 for seeking SECP's approval for conversion of fund as open end. SECP vide its letter SCD/AMCW/FDMF/337/2016 dated March 10, 2016 approved the conversion of the Close-end fund into an Open-end scheme effective from April 7, 2013 under the regulation 65 of Non-Banking Finance Companies (Establishment and Regulation) 2008 by virtue of a scheme of conversion of First Dawood Mutual Fund into an Open-end Scheme under a supplemental Trust Deed executed between DCML as Management Company and CDC as Trustee after being approved by the SECP on June 3, 2016 in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulation, 2008 (NBFC Regulations). The approval of conversion was subject to the following conditions:

- a) The effective date for the conversion of FDMF into open end scheme may be considered as April 7, 2013. However, Dawood Capital Management Limited shall resume dealing in units of fund as open end scheme no later than April 15, 2016 after completing all the requirements (i.e. approval for registration of FDMF as notified entity, approval of supplemental constructive documents, registration of trust deed, verification of NAVs of FDMF from trustee, publication of accounts etc.)
- b) Conversion cost shall be charged to FDMF upon resumption of operations of fund as open end scheme and shall not be amortized.
- c) No back end load shall be charged upon resumption of operations of fund as the fund has already remained suspended for almost three years.
- d) All the deposited property, assets and liabilities along with allied balances of FDMF shall remain intact in the open end structure.

As per above SECP directive dated March 10, 2016, the above said conditions shall be properly disclosed to the certificate holders, trustee, and to the stock exchanges where FDMF is listed immediately upon receipt of this approval letter. As per the scheme of conversion of close-end scheme into an open-end fund, each Certificate Holder, holding certificates under the close-end scheme as at April 7, 2013 are issued initial units of the open end scheme. Initial units are issued in the ratio 1:1 i.e. one unit for each certificate held as at April 7, 2013.

The management vide its letter dated June 30, 2016 requested SECP for extension in date for resumption of dealing in Units of First Dawood Mutual Fund as an open-end scheme. SECP vide its letter No. SCD/AMCW /FDMF/14/2016 dated July 15, 2016 granted extension in date to resume dealing in units of FDMF as open end scheme from July 01, 2016 till August 01, 2016. All the other conditions imposed vide SECP's letter No. SCD/AMCW/FDMF/337/2016 dated March 10, 2016 and No. SCD/AMCW/FDMF/436/2016 dated April 22, 2016 shall remain the same. During the year, the operations of FDMF has been restored with effect from August 1, 2016.



- 1.5 During the year, SECP accorded its approval for appointment of Directors and CEO on August 31, 2015 and September 22, 2015, respectively, enabling the Company to present these financial statements before the Board of Directors for their approval.

Further, the management vide its letter dated November 13, 2015 has conveyed its commitment to SECP to ensure the compliance with all the laws applicable to Company including Companies Ordinance 1984, Listing rules and regulations, Non Banking Finance Companies and Notified Entities Regulations, 2008 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

2 SUSPENSION OF FUNDS UNDER MANAGEMENT

During prior year, the operations of the Funds under management 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 SECP cancelled the license of the 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.

The Management Company filed an appeal before the Appellate Bench of the SECP against the above suspension of the Funds 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. During the year, on January 22, 2015, the appeal was decided in favour of the Management Company by the Appellate Bench.

An application for review / recall of above order of the Appellate Bench No II was filed by the Executive Director (Specialized Company Division) with Appellate Bench, SECP. However, Appellate Bench vide letter dated November 25, 2015 did not accept the application on the grounds that there is no provision in the law which gives the Appellate Bench powers to review its own order and thus the matter has attained finality.

Based on the above Management Company is authorized and licensed to undertake Asset Management Services and Investment Advisory Services. Board of Directors of the Company has approved all the due accounts of Dawood Income Fund (DIF), Dawood Islamic Fund (DIF-S) and First Dawood Mutual Fund on January 29, 2016, March 11, 2016 and July 27, 2016 respectively. The operations of DIF, DIF-S and FDMF has been restored with effect from February 10, 2016, March 20, 2016 and August 1, 2016 respectively.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). Wherever the requirements of Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments which are measured at fair value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information

3.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards or interpretations that are effective in current year but not relevant to the company

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633(I)/2014 dated July 10, 2014 with effect from following dates.

The Company has adopted these accounting standards and interpretations which do not have significant impact on the Company's financial statements other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".



		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 27	Separate Financial Statements (Revised 2011)	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures (Revised 2011)	January 1, 2015

4.2 Amendments not yet effective

The following 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:

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016



The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2016 are as follows:

Annual Improvements to IFRSs (2012 – 2014) Cycle:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

4.3 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property and equipment

5.1.1 Owned

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Depreciation is charged to profit and loss account over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 7 to the financial statements.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The residual values and useful lives of assets are reviewed at each financial year end and adjusted, if appropriate.

Gains and losses on disposals, if any, are included in the profit and loss account.

5.1.2 Lease assets

Asset subject to finance lease is accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreement and the fair value of asset acquired. The related obligation under the lease is accounted for as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.



5.2 Impairment

The carrying amounts of the Company's assets, for which policy is given separately, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are charged to profit and loss account.

5.3 Investments

All investments are initially measured at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs that are directly attributable to acquisition.

The management of the Company determines the appropriate classification of its investments for the purpose of subsequent measurement in accordance with the requirements of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement', at the time of purchase.

The Company classifies investments in the following categories:

Investments 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. All derivatives are classified as held-for-trading. These are initially recorded at cost. Derivatives with positive fair values (unrealised gains) are included in assets and derivatives with negative fair values (unrealised losses) are included in liabilities in the statement of assets and liabilities. After initial measurement, such investments are carried at fair value and the gains or losses on revaluation are recognised in the profit and loss account in the period in which they arise.

Held to maturity

Investment 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 investments are carried at amortised cost less any provision for impairment. Premiums and discounts on investments are amortised using the effective interest rate method and taken to profit and loss account from investments.

Available for sale

These are non-derivative financial assets that are not classified as (a) loans and receivables (b) held to maturity investments or (c) financial assets at fair value through profit or loss. After initial measurement, such investments are measured at fair value with unrealised gains or losses recognised in the equity through other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is taken to the income statement. However, unquoted equity investments are carried at the lower of cost or break up value.

Fair values of investments are determined as follows:

Listed shares

These are valued on the basis of closing market prices quoted on the respective stock exchange.

Mutual funds units

These are valued by reference to the net asset values declared by the respective fund.

Debt securities

Fair value of debt securities, other than government securities, are valued on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with Regulation 66(b) of the NBFC Regulations.

Government securities

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

5.4 Investments in associates - equity method

Entities in which the Company has significant influence but not control and which are neither its subsidiaries nor joint ventures are associates and are accounted for by using the equity method of accounting.



These investments are initially recognized at cost and thereafter, the carrying amount is increased or decreased to recognize the Company's share of profit and loss of associates. Share of post acquisition profit and loss of associates is accounted for in the Company's profit and loss account. Distribution received from investee reduces the carrying amount of investment.

The changes in the associate's equity which have not been recognized in the associates' profit and loss account, are recognised directly in the equity of the Company.

5.5 Trade date accounting

All regular way purchases/sales of investment are recognised on the trade date, i.e. the date the Company commits to purchase/sell the investments. Regular way purchases or sales of investment require delivery of securities within two days after the transaction date as required by stock exchange regulations.

5.6 Securities under repurchase/resale agreements investment in associates

Securities purchased under a corresponding commitment to resell at a specified future date (reverse-repo) are recorded as receivables against carry-over transactions at fair value of the consideration given. Securities sold under a simultaneous commitment to repurchase at a specified future date (repo) are recognised in the balance sheet as investments and the counterpart liability is shown as payable against carry-over transactions. All carry-over transactions are accounted for on settlement date basis.

5.7 Financial instruments

5.7.1 Financial assets and liabilities

Financial assets include investments, deposits, loans, advances, other receivables, receivable from funds and cash and bank balances.

Financial liabilities include accrued expenses and other liabilities and liabilities against assets subject to finance lease. Financial liabilities are classified according to the substance of the contractual agreement entered into.

At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs that may be incurred on disposal. The particular recognition method adopted for recognition of financial assets and liabilities subsequent to initial recognition is disclosed in the policy statement associated with each item.

5.7.2 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off-set.

5.7.3 Related party transactions and transfer pricing

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at arm's length prices which are determined in accordance with the methods prescribed in the Companies Ordinance 1984.

5.8 Employee retirement benefits-defined contribution plan

The Company operates recognised provident fund scheme for all its eligible employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 10 percent of basic salary.

5.9 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 equivalent consist of bank balances and running finances under mark-up arrangements.

5.10 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount. When a trade debt is uncollectible, it is written off and charge to profit and loss account. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

5.11 Borrowing / debt

Borrowings/debt is recognized initially at fair value, net of transaction costs incurred. These are subsequently measured at amortized cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of borrowings/debt under the effective interest method. Markup/ profit on borrowings/ debt is calculated using the effective interest method and is recognized in the profit and loss account.



5.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

5.13 Proposed dividend and transfer between reserves

Dividends declared and transfer between reserves, except appropriations which are required by the law, made subsequent to the balance sheet date are considered as non adjusting events and are recognized in the financial statements in the year in which such dividends are declared or transfers between reserves are made.

5.14 Foreign currency transactions

Transactions denominated in foreign currencies are accounted for in Pakistani Rupee (rupee) at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the foreign exchange rates approximating those prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account.

5.15 Revenue recognition

Remuneration for investment advisory and asset management services are recognised on accrual basis.

Commission income is recognised on accrual basis.

Gains and losses on sale of marketable securities are recognised on the date of sale.

Dividend income is recorded when the right to receive the dividend is established. Return on securities other than shares is recognised on accrual basis.

Return on bank deposits are recognised on accrual basis. Other income is recognised as and when earned.

5.16 Provisions

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

5.17 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

5.18 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into consideration available tax credits, rebates and tax losses, if any. However, for income covered under final tax regime, taxation is based on applicable tax rules under such regime. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary timing differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Company's accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- a) Recognition of taxation and deferred taxation (Note 5.17 and 24);
- b) Determining the useful lives of operating fixed assets (Note 5.1 and 7);
- c) Classification of investments (Note 5.3, 8 and 10); and
- d) Impairment of financial assets (Note 5.2 and 20).



7 PROPERTY AND EQUIPMENT

7.1 The following is the statement of property and equipment:

Description	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Rupees					
Year ended June 30, 2016					
Net carrying value basis					
Opening net book value (NBV)	113,748	2	179,306	175,916	468,972
Additions (at cost)	-	-	52,284	-	52,284
Disposals (NBV)	-	(2)	-	-	(2)
Depreciation charge	(20,129)	-	(144,134)	(121,369)	(285,632)
Closing net book value (refer note 5.1)	93,619	-	87,456	54,547	235,622
Gross carrying value basis					
Cost	962,472	-	905,628	3,232,148	5,100,248
Accumulated depreciation / impairment	(868,853)	-	(818,172)	(3,177,601)	(4,864,626)
Net book value	93,619	-	87,456	54,547	235,622
Year ended June 30, 2015					
Net carrying value basis					
Opening net book value (NBV)	133,877	2	281,497	425,563	840,939
Additions (at cost)	-	-	41,361	81,889	123,250
Disposals (NBV)	-	-	-	-	-
Depreciation charge	(20,129)	-	(143,552)	(331,536)	(495,217)
Closing net book value (refer note 5.1)	113,748	2	179,306	175,916	468,972
Gross carrying value basis					
Cost	962,472	1,457,700	853,344	3,232,148	6,505,664
Accumulated depreciation / impairment	(848,724)	(1,457,698)	(674,038)	(3,056,232)	(6,036,692)
Net book value	113,748	2	179,306	175,916	468,972
Depreciation rate % per annum					
	20	20	20	33	

7.2 Disposal of fixed assets

2016						
Description	Original Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Particulars of buyer
Rupees						
Honda Civic	1,422,700	1,422,699	1	880,000	Negotiate	Muhammad Arif S/o Qadir Bukhs
UNIQUE UD 70 CDI	35,000	34,999	1	35,000	Company Policy	Rajesh Solanki - ex-employee
Total - 2016	1,457,700	1,457,698	2	915,000		
Total - 2015	-	-	-	-		

7.2.1 The cost of fully depreciated operating fixed assets amounts to Rs. 3,332,663 (2015: Rs. 4,790,363).



8 LONG-TERM INVESTMENTS

Investments in associates - quoted

First Dawood Mutual Fund (open-end- fund) - an associate (using equity method)

8,804,471 (June 30, 2015: 8,804,471) units of Rs. 10/- each representing 34.05% (June 30, 2015: 34.05%) holding

Notes	June 30, 2016 Rupees	June 30, 2015 Rupees
8.1	145,476,857	170,074,886

Dawood Income Fund (Open-End- Fund) - an associate (using equity method)

207,601 (June 30, 2015: 189,751) units of Rs. 100/- each representing 10.11% (June 30, 2015: 3.65%) holding

8.2	15,774,136	15,614,087
	161,250,993	185,688,973

Available for sale investment - unquoted

Burj Bank Limited

5,034 (June 30, 2015: 5,034) fully Paid Ordinary Shares of Rs. 10/- each

Less: impairment on available for sale investments

29,608	33,044
(2,557)	(3,436)
27,051	29,608

Dawood Family Takaful Limited - A related party

2,372,500 (June 30, 2015: 2,722,500) fully paid Ordinary Shares of Rs. 10/- each

Disposal on investment during the year

Less: impairment on available for sale investments

16,236,974	17,119,266
(2,086,000)	-
(1,724,478)	(882,292)
12,426,496	16,236,974
173,704,540	201,955,555

8.1 The abridged financial information of First Dawood Mutual Fund (the Fund) based on the audited financial statements as at June 30, 2016 is as follows:

Associate's Statement of Assets and Liabilities

Total assets	477,561,872	538,062,647
Total liabilities	54,664,913	38,524,845
Net assets	422,896,959	499,537,802
Share of Company's net assets as at	145,476,857	170,074,886

Associate's Income Statement

Total (loss) / income	(57,786,804)	115,664,039
Net (loss) / income	(76,640,843)	98,267,631

The market value of investment in First Dawood Mutual

8.2 The abridged financial information of Dawood Income Fund (the Fund) based on audited financial statements as at June 30, 2016 is as follows:

Associate's Statement of Assets and Liabilities

Total assets	197,610,836	450,009,852
Total liabilities	41,627,348	21,836,540
Net assets	155,983,488	428,173,312
Share of Company's net assets	15,774,136	15,614,087

Associate's Income Statement

Total income	44,273,612	35,183,984
Net income	38,203,169	27,501,049



The Dawood Income Fund has been classified as an associate in spite of the fact that the Company holds less than twenty percent in the Fund for the reason that the Company is also an investment advisor of the fund by virtue of which it participates in the financial and operating policies of the Fund and hence has significant influence over its investee. The market value of investment in Dawood Income Fund as at June 30, 2016 amounts to Rs. 15,774,136 (2015: Rs. 15,614,087).

9 SHORT TERM INVESTMENTS

SHORT TERM INVESTMENTS		June 30, 2016		June 30, 2015	
		Book value	Fair value	Book value	Fair value
	Note	-----Rupees-----			
Available for sale investments					
Listed Shares - related party	9.1	3,573,962	2,430,294	3,573,962	4,288,754
Term Finance Certificates - Listed	9.2	-	-	-	-
		3,573,962	2,430,294	3,573,962	4,288,754
(Deficit) / Surplus on revaluation of investments		(1,143,668)	-	714,792	-
		2,430,294	2,430,294	4,288,754	4,288,754

9.1 Listed shares - related party

All shares represent fully paid ordinary shares of Rs. 10/- each, unless otherwise stated.

No. of shares			June 30, 2016		June 30, 2015	
June 30, 2016	June 30, 2015	Name of Companies	Book value	Fair value	Book value	Fair value
			Rupees			
			Financial services			
2,382,641	2,382,641	First Dawood Investment Bank Limited - related party	3,573,962	2,430,294	3,573,962	4,288,754
			3,573,962	2,430,294	3,573,962	4,288,754

9.1.1 As per SECP Circular 09 of 2006, 2,382,641 (June 30, 2015: 2,382,641) shares of First Dawood Investment Bank Limited are held in a blocked account with CDC. The Company can only dispose these shares with prior approval from the SECP.

9.2 Term Finance Certificates - Listed

(Having face value of Rs. 5,000 each, unless stated otherwise)

No. of certificates		Period of redemption	Terms of redemption	Rate %	June 30, 2016		June 30, 2015		
June 30, 2016	June 30, 2015				Book value	Fair value	Book value	Fair value	
						-----Rupees-----			
57	57	Pace Pakistan Limited (TFC)	2008-2017	Semi Annually	6 months KIBOR + 2.0	191,436	-	191,436	-
Less: Impairment on available for sale investment						(191,436)	-	(191,436)	-
						-	-	-	-

9.2.1 Pace Pakistan Limited defaulted on its payment of principal and markup due on August 21, 2011. Consequently, security was classified as non-performing by MUFAP on September 05, 2011 and accrual on the same was suspended.

		June 30, 2016	June 30, 2015
		Rupees	Rupees
10 LOANS AND ADVANCES			
Unsecured - considered good			
Advance against salary		52,000	-
		52,000	-
11 SHORT TERM PREPAYMENTS			
Prepayments		15,650	15,650
		15,650	15,650



12 OTHER RECEIVABLES

Remuneration due from funds under management		
Dawood Income Fund - an associate	2,843,292	12,253,483
Dawood Islamic Fund - an associate	1,507,614	3,363,774
First Dawood Mutual Fund - an associate	39,651,386	25,349,315
Dividend receivable from Dawood Income Fund	3,233,090	-
Accrued mark-up on saving accounts	73,981	107,750
	<u>47,309,363</u>	<u>41,074,322</u>

13 CASH AND BANK BALANCES

Cash at bank		
Current accounts	101,609	101,609
Saving accounts	1,639,024	1,827,890
	<u>1,740,633</u>	<u>1,929,499</u>

13.1

13.1 The balance in saving accounts carry profit at rates ranging from 5% to 6% per annum (2015: 5% to 8.25% per annum).

14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016	2015			
No. of Shares	No. of Shares			
10,000,000	10,000,000	Ordinary shares of Rs. 10/- each issued as fully paid in cash	100,000,000	100,000,000
4,973,750	4,973,750	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	49,737,500	49,737,500
			<u>149,737,500</u>	<u>149,737,500</u>
<u>14,973,750</u>	<u>14,973,750</u>			

14.1 The shares held by related parties are as follows:

First Dawood Investment Bank Limited	2,246,070	2,246,070
The Bank of Khyber	2,246,055	2,246,055
BRR Guardian Modaraba	1,935,505	1,935,505
	<u>6,427,630</u>	<u>6,427,630</u>

June 30,
2016
Rupees

June 30,
2015
Rupees

15 TRADE AND OTHER PAYABLES

Accrued expenses	18,327,433	14,331,449
Unclaimed dividend	998,742	998,742
Bonus to employees	-	91,000
Worker Welfare Fund payable	1,800,743	1,800,743
	<u>21,126,918</u>	<u>17,221,934</u>

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

The Additional Commissioner of Income Tax (ACIT) has amended the assessment order under section 122(5A) of the Income Tax Ordinance, 2001, resulting in an additional tax of Rs. 1.005 million and Rs. 0.820 million for Tax Years 2003 and 2004 respectively. The Company has filed appeals with the Commissioner of Income Tax Appeals-II (CIT-A). The said appeals are pending for hearing. The management is confident that the appeal will be decided in favour of the Company and therefore no provision in this respect has been made in these financial statements. Appeals have been filed before Income Tax Appellate Tribunal (ITAT) for the Tax Year 2003 and 2004 against the order of CIT-A. Hearing has been fixed and ITAT has finalized the order for the Tax Year 2004, which partially allowed and partially remanded back the order to the CIT-A for passing an order. The case has been decided in favour of the Company by the Appellate Tribunal in Tax Year 2017.

16.2 Commitments

There was no commitment as at balance sheet date.



**June 30,
2016
Rupees**

**June 30,
2015
Rupees**

17 REMUNERATION FROM FUNDS UNDER MANAGEMENT

Open-end funds		
Dawood Income Fund - an associate	3,138,471	4,158,684
Dawood Islamic Fund - an associate	1,190,572	936,730
First Dawood Mutual Fund - an associate	9,741,133	9,818,957
	<u>14,070,176</u>	<u>14,914,371</u>

17.1 Under the provisions of the NBFC Rules and Regulations, the management company / investment advisor of the fund is entitled to a remuneration at specified rates of the net assets value / income of the funds at the closure of business. During the year ended June 30, 2016, an amendment has been introduced in Regulation 61 of the NBFC Regulations, 2008, relating to the chargeability of remuneration of asset management companies. As per this amendment, an Asset Management Company shall be entitled to an accrued remuneration equal to an amount not exceeding two percent of average annual net assets in case of equity, balanced, asset allocation and capital protected (dynamic asset allocation-direct exposure schemes, one and a half percent of average annual net assets in case of income, aggressive income, index, fund of funds, commodity schemes(cash settled), one percent of average annual net assets in case of money market, commodity schemes (deliverable) and capital protected schemes, that has been verified by the trustee and is paid in arrears on a monthly basis. The rates charged to each fund during the period ended June 30, 2016 and 2015 are as under:

	2016	2015
	Remuneration for services rendered as an asset management company	
	----- Percentage -----	
Open-End Funds		
Dawood Income Fund - An Associate	1	1
Dawood Islamic Fund - An Associate	1.5	1.5
First Dawood Mutual Fund - An Associate	2	2

17.2 SECP has approved the payment of the Management fee to Dawood Capital Management Limited upon resuming of the operations of the Funds vide letters No. SCD/AMCW/DCML/369/2016 and SCD/AMCW/DCML/25/2016 dated March 25, 2016, July 25, 2016 and August 1, 2016.

18 INVESTMENT INCOME

Equity investments		
Investment income	<u>-</u>	<u>497,556</u>

**June 30,
2016
Rupees**

**June 30,
2015
Rupees**

19 IMPAIRMENT AGAINST INVESTMENTS

Unquoted shares		
Burj Bank Limited	2,557	3,436
Dawood Family Takaful Limited	1,724,478	882,292
	<u>1,727,035</u>	<u>885,728</u>



20 ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and allowances	20.1	8,165,426	7,680,263
Rent, rates and taxes		1,269,600	1,161,100
Postage and telephones		418,081	285,620
Legal and professional charges		4,426,751	2,513,000
Printing and stationery		439,134	41,174
Travelling and conveyance		287,341	433,742
Vehicles running		420,508	621,053
Advertisement expense		20,480	-
Electricity		486,063	263,978
Repairs and maintenance		527,805	410,198
Auditors' remuneration	20.2	518,651	518,651
Entertainment		113,146	69,709
Insurance		64,494	95,009
Depreciation	7	285,632	495,217
Subscriptions		358,475	365,812
Newspapers and magazines		2,150	-
Directors' fee		211,000	-
Commission		22,518	-
Others		47,509	29,365
		<u>18,084,764</u>	<u>14,983,891</u>
Less: Reimbursement of fees and expenses	20.4	<u>(523,559)</u>	<u>-</u>
		<u><u>17,561,205</u></u>	<u><u>14,983,891</u></u>

20.1 This includes an amount of Rs. 0.384 million (2015: Rs. 0.460) relating to staff retirement benefits.

20.2 Auditors' remuneration

Annual audit	250,000	250,000
Certification fee	90,000	90,000
Half yearly review	120,000	120,000
Out of pocket expenses	58,651	58,651
	<u>518,651</u>	<u>518,651</u>

20.3 Disclosures relating to Provident Fund

	Note	June 30, 2016 Rupees	June 30, 2015 Rupees
Size of the fund		110,024,193	82,012,601
Cost of investments made		74,462,389	47,555,452
Percentage of investments made		68%	58%
Fair value of investments		78,676,424	47,555,452
Break-up of investments			
Government securities		25,000,000	25,000,000
Term Finance Certificates		1,837,792	1,838,528
Investment in sukuk		18,815,539	11,450,654
Listed securities		4,584,082	4,145,346
Mutual Funds		28,439,011	5,120,924



Break-up of investments	% age of size of the fund	
Government securities		
Term Finance Certificates	31.78%	52.57%
Investment in sukuk	2.34%	3.87%
Listed securities	23.92%	24.08%
Mutual Funds	5.83%	8.72%
	36.15%	10.77%

The Provident Fund (the Fund) is maintained for its permanent employees and the employees of its associated companies / undertakings. Accordingly, the information is based upon the latest unaudited financial statements of the Fund as at June 30, 2016 and audited financial statements as at June 30, 2015. As per Trustees, investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984 and the rules formulated for this purpose.

- 20.4 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated November 25, 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, 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 amounting to Rs. 0.523 million to the respective Funds under its management.

	June 30, 2016 Rupees	June 30, 2015 Rupees
21 OTHER OPERATING INCOME		
Gain on disposal of property and equipment	934,998	-
Mark-up earned on saving accounts	89,910	263,473
Others	535,000	-
	<u>1,559,908</u>	<u>263,473</u>
22 SHARE OF ASSOCIATES' (LOSS) / PROFIT		
Dawood Income Fund	3,393,139	940,607
First Dawood Mutual Fund	<u>(24,598,029)</u>	<u>33,456,636</u>
	<u>(21,204,890)</u>	<u>34,397,243</u>
23 TAXATION		

Numerical reconciliation between the average effective tax rate and the applicable tax rate has not been presented in these financial statements due to available tax losses brought forward from tax years 2008, 2009, 2010 and 2011. The provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001.

Deferred tax asset amounting to Rs. 5,469,013 (2015: Rs. 10,049,278) has not been recognised in these financial statements as the Company is of the view that it is not probable that sufficient taxable profit will be available in the foreseeable future against which deductible temporary differences, unused tax losses and unused tax credits can be utilised. The accumulated tax losses as at June 30, 2016 amount to Rs. 17,809,771 (2015: Rs. 31,147,041).

24 (LOSS) / EARNINGS PER SHARE -BASIC AND DILUTED		
Net (loss) / profit for the year	(25,019,630)	33,360,396
Weighted average number of ordinary shares	<u>14,973,750</u>	<u>14,973,750</u>
(Loss) / earnings per share - basic and diluted	<u>(1.67)</u>	<u>2.23</u>

25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2016			2015		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	3,200,000	-	1,230,000	3,200,000	-	960,000
House rent	1,280,000	-	96,000	1,280,000	-	384,000
Bonus	-	-	-	-	-	-
Medical	39,031	-	6,000	52,372	-	24,000
Utilities	320,000	-	24,000	320,000	-	96,000
Provident fund	320,004	-	24,000	320,001	-	96,000
E.O.B.I	4,800	-	1,200	4,800	-	4,800
Meeting fee	-	211,000	-	-	-	-
	<u>5,163,835</u>	<u>211,000</u>	<u>1,381,200</u>	<u>5,177,173</u>	<u>-</u>	<u>1,564,800</u>
Number of persons	1	7	1	1	-	1



The Chief Executive and Executives have been provided with company maintained cars.

Executive means an employee other than Director and Chief Executive, whose basic salary exceeds Rs. 500,000 in a financial year.

26 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, directors and their close family members, senior executives, retirement benefit plans, major shareholders of the Company and funds under management. Transactions with the related parties during the year were as follows:

Relationship with the Company	Nature of Transactions	June 30, 2016 Rupees	June 30, 2015 Rupees
Transactions with			
Mutual Funds managed by the Company	Management fee charged	14,070,176	14,914,371
	FED on management fee charged	2,251,227	2,386,299
	Sales tax on management fee charged	2,284,997	2,595,101
	Reimbursement of expenses - Dawood Income Fund	168,549	-
	Reimbursement of expenses - First Dawood Mutual Fund	298,497	-
	Reimbursement of expenses - Dawood Islamic Fund	56,513	-
B.R.R Guardian Modaraba	Staff cost received	1,052,998	-
Provident Fund	Contribution	384,269	460,000
Key Management personnel	Remuneration	6,584,998	6,741,973
Balances at year end			
Associated companies / other related parties	Units held:		
	Dawood Income Fund 207,601 units (June 30, 2015: 207,601 units)	-	15,614,087
	First Dawood Mutual Fund 8,804,471 units (June 30, 2015: 8,804,471 units)	-	170,074,886
	Shares held:		
	First Dawood Investment Bank Limited		
	2,382,641 units (June 30, 2015: 2,382,641 units) fully paid ordinary shares of Rs. 10/- each	2,430,294	4,288,754
	Dawood Family Takaful Limited		
	2,722,500 units (June 30, 2015: 2,722,500 units) fully paid ordinary shares of Rs. 10/- each	(1,724,478)	16,236,974
	B.R.R Guardian Modaraba		
	Payable against staff cost received	1,052,998	-

The Company has not entered into any transaction with director and senior executives other than those provided under the Company's policies and terms of employment.

27 FINANCIAL RISK MANAGEMENT POLICIES

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

27.1 Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market interest rates or the market price 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 Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

28.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.



28.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company has diversified its investments and has major portion of its investments based on floating interest rate for which the finance function is responsible to manage the risk by measuring the mismatch of interest rate sensitivity gap of financial assets and liabilities.

Interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of the contractual repricing or maturity date.

28.1.3 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.

As at June 30, 2016, the fair values of marketable securities exposed to price risk are as follows:

	June 30, 2016 Rupees	June 30, 2015 Rupees
Exposure classified as 'available for sale'	2,430,294	4,288,754

The Management Company manages the above market risks through diversification of investment portfolio in accordance with the internal risk management policies.

28.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company attempts to control credit risk by entering into transactions with diverse credit worthy counter parties by monitoring credit exposure.

The maximum exposure to credit risk as at June 30, 2016 is as follows:-

Description	June 30, 2016		June 30, 2015	
	Statement of Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
	-----Rupees-----			
Long term investments	173,704,540	173,704,540	201,955,555	201,955,555
Long term deposits	36,300	36,300	36,300	36,300
Short term investment	2,430,294	2,430,294	4,288,754	4,288,754
Loans and advances	52,000	52,000	-	-
Other receivables	47,309,363	47,309,363	41,074,322	41,074,322
Bank Balances	1,740,633	1,740,633	1,929,499	1,929,499
Total	225,273,130	225,273,130	249,284,430	249,284,430

The Company kept its funds with banks having strong credit ratings. Currently the funds are kept with banks having rating of A1+ to AA+.

28.3 Financial instruments by category

Financial assets

Loans and receivables at amortised cost

Long term loans and deposits	36,300	36,300
Loans and advances	52,000	-
Other receivables	47,309,363	41,074,322
Cash and bank balances	1,740,633	1,929,499

Available-for-sale

Listed companies	163,681,287	189,977,727
Unlisted companies	12,453,547	16,266,582
	<u>225,273,130</u>	<u>249,284,430</u>

Financial liabilities

Financial liabilities at amortised cost

Trade and other payables	21,126,918	17,221,934
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28.4 Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet its obligations and commitments associated with financial instruments. The Company is not materially exposed to the liquidity risk as all obligations/commitments of the Company are short-term in nature and restricted to the extent of available liquidity and all assets of the Company are readily disposable in the market.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	On demand	Not later than one month	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees -----						
As at June 30, 2016						
Trade and other payable	21,126,918	-	-	-	-	21,126,918
	21,126,918	-	-	-	-	21,126,918
As at June 30, 2015						
Trade and other payable	17,221,934	-	-	-	-	17,221,934
	17,221,934	-	-	-	-	17,221,934

28.5 Capital Risk Management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Currently the Company has an equity of Rs. 206.844 million against the minimum required equity of Rs. 230 million set by the Securities and Exchange Commission of Pakistan for the Non Banking Finance Company providing Asset Management Services and Investment Advisory Services for the year ended June 30, 2016. The company is in the process of complying with minimum equity requirements and seeking extension from SECP in this respect.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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.

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 or liabilities.

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	June 30, 2015			June 30, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Available-for-sale investments	2,430,294	-	-	4,288,754	-	-
Investments in associates - quoted	173,704,540	-	-	185,688,973	-	-
Fair value through profit and loss-held	-	-	-	-	-	-
Available-for-sale investments - unquoted	-	12,453,547	-	-	16,266,582	-
	176,134,834	12,453,547	-	189,977,727	16,266,582	-

Valuation techniques

For Level 2 available-for-sale investments the Company values the investment at breakup value which approximates the fair value of the investment.

Transfers during the period

During the year ended June 30, 2016, there were no transfers into or out of Level 3 fair value measurements .



30 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, no significant reclassification has been made during the year.

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue in Board of Directors of the management company on 28 October, 2016.

32 NUMBER OF EMPLOYEES

The number of employees as at year end was 7 (2015: 3) and average number of employees during the year was 5 (2015: 3).

33 GENERAL

Figures have been rounded off to the nearest rupee.

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

Chief Executive

Director



**Pattern Of Shareholding
As At June 30, 2016**

Number Of Shareholders	Shareholding			Total Shares Held
	From		To	
146	1	-	100	3,756
146	101	-	500	30,329
157	501	-	1,000	116,267
91	1,001	-	5,000	217,053
24	5,001	-	10,000	167,820
8	10,001	-	15,000	93,179
7	15,001	-	20,000	123,516
3	20,001	-	25,000	69,021
5	25,001	-	30,000	145,257
2	30,001	-	35,000	69,000
5	35,001	-	40,000	187,338
2	45,001	-	50,000	98,502
2	55,001	-	60,000	117,039
1	60,001	-	65,000	60,690
2	70,001	-	75,000	142,525
1	100,001	-	105,000	104,500
3	115,001	-	120,000	352,779
2	325,001	-	330,000	655,785
1	345,001	-	350,000	350,000
1	385,001	-	390,000	389,317
1	390,001	-	395,000	392,452
1	565,001	-	570,000	567,613
1	650,001	-	655,000	651,345
1	655,001	-	660,000	660,000
1	660,001	-	665,000	663,832
1	740,001	-	745,000	741,199
1	1,375,001	-	1,380,000	1,376,006
1	1,935,001	-	1,940,000	1,935,505
2	2,245,001	-	2,250,000	4,492,125
619				14,973,750



Categories of Share Holders As on June 30, 2016

Categories Of Shareholders	Number Of Shareholders	Total Shares Held	Percentage %
Individuals	597	6,264,413	41.84
Joint Stock Companies	10	1,223,541	8.17
Financial Institutions	6	4,823,090	32.21
Investment Companies	2	549	0.00
Modarabas	1	1,935,505	12.93
Mutual Fund	1	663,832	4.43
Others	2	62,820	0.42
	619	14,973,750	100.00

S. No.	Categories of Share holders	Numbers	Shares Held	% Age
1	Associated Companies	3	6,427,630	42.93
	B.R.R. Guardian Modaraba		1,935,505	
	First Dawood Investment Bank Limited		2,246,070	
	The Bank of Khyber		2,246,055	
2	NIT & ICP	3	664,911	4.44
	National Bank of Pakistan-Trustee Department Ni(U)T Fund		663,832	
	Investment Corporation of Pakistan		500	
	IDBP (ICP UNIT)		579	
3	Directors, CEO their Spouses and Minor Children		1,778,774	11.88
	Miss Tara Uzra Dawood		1,768,458	
	Mrs. Shafqat Sultana		2,816	
	Ms. Charmaine Hidayat Ullah		2,500	
	Mr. Muhammad Izqar Khan		2,500	
	Mr. Ansar Hussain		2,500	
4	Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas and Pension Funds	17	1,616,792	10.80

Shareholders holding five percent or more shares in the Company

Miss Tara Uzra Dawood	1,768,458	11.81
B.R.R. Guardian Modaraba	1,935,505	12.93
First Dawood Investment Bank Limited	2,246,070	15.00
The Bank of Khyber	2,246,055	15.00
Ayaz Dawood	781,262	5.20



FORM OF PROXY
25th Annual GENERAL MEETING

I/We _____ of
_____ (full address)

being a member of Dawood Capital Management Limited Folio # _____ do hereby appoint

Mr./Ms _____ Folio # _____
of _____ (full address) (or failing him)

Mr./Ms _____ Folio# _____
of _____ (full address)

being another member of the Company as my/our proxy to attend and vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held on November 30, 2016 at 10:30 hours and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2016, signed by the said
_____ in the presence of

Mr./Ms. _____
of _____ (full address)



Signature of Witness

Signature(s) and or Seal

Important Notes :

1. The share transfer books of the Company will remain closed from November 24, 2016 to November 30, 2016 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered office of the Company, 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. If more than one instrument of proxy appointing more than one person is deposited with the Company, all such instruments of proxy shall be rendered invalid.
5. This signature on the Instrument of Proxy must conform to the specimen signature recorded with the Company.
6. CDC account holders will in addition have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting.

BOOK POST

If undelivered, please return to:

DAWOOD CAPITAL MANAGEMENT LTD.

5B Lakson Square Building #1,
Sarwar Shaheed Road, Karachi 74200.



Managed by Dawood Capital Management Ltd.

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Tel: (92-21) 3562-1002-7 Fax: (92-21) 3562-1010
Email: dcm@edawood.com
Website: www.edawood.com