



**DAWOOD**

**Dawood Capital Management Ltd.**

**ANNUAL REPORT  
2015**



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## CORPORATE INFORMATION

<b>Board of Directors</b>	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
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Waris Jamil	
<b>Audit Committee</b>	Mr. Ansar Hussain	Chairman
	Mr. Tahir Mehmood	Member
	Syed Farhan Abbas	Member
<b>Auditors</b>	<b>BDO Ebrahim &amp; Co.</b> Chartered Accountants	
<b>Human resource Commitee</b>	Mr. Muhammad Izqar Khan	Chairman
	Ms. Shafqat Sultana	Member
	Ms. Tara Uzra Dawood	Member
	Mr. Tahir Mehmood	Member
<b>Tax advisor</b>	J.A.S.B. & Associates, Chartered Accountants Office no. 4, Uni Tower, I.I Chandrigar Road, Karachi	
<b>Legal Advisor</b>	Rauf & Ghaffar Law Associates (Advocates & Consultants) Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar – Karachi.	
<b>Registrars</b>	F.D. Registrar Services (SMC-Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi. 74000	
<b>Banker:</b>	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 24th 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 10:00 a.m. to transact the following business:

### Ordinary Businesses

1. To confirm the minutes of 23rd 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, 2015 together with Directors' and Auditors' Reports thereon.
3. To confirm the post facto appointment of External Auditors and to fix their remuneration for the financial year ending June 30, 2016.
4. 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.



## FINANCIAL HIGHLIGHTS

	2015	2014	2013	2012	2011	2010
	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	237.40	203.33	177.91	150.46	149.05	149.41
Total Assets	254.63	213.84	182.13	154.30	161.66	161.73
Short-Term Investment in Securities	4.29	10.38	4.34	4.97	4.81	5.72
Short-Term Investment in Deposits	-	-	-	-	-	-
Income From Investments	0.50	0.55	0.09	3.19	0.04	11.89
Management Fee	14.91	11.73	15.53	19.72	19.72	24.60
Other Income	0.26	1.44	0.90	3.90	2.22	4.90
Impairment Loss on Investment	(0.89)	(1.56)	(1.38)	(3.71)	(8.02)	(4.27)
Profit/(Loss) Before Taxation	33.52	26.32	27.34	1.08	(0.15)	(0.08)
Taxation	0.16	0.14	0.08	0.27	0.22	0.07
Profit/(Loss) After Taxation	33.36	26.18	27.26	0.81	(0.37)	(0.16)
Book Value Per Share	15.86	13.58	11.88	10.05	9.96	9.98
Earnings Per Share	2.23	1.75	1.82	0.05	(0.02)	(0.01)



## **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, 2015. 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**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
	<b>.....Rupees.....</b>	
Profit Earned on Investments	497,556	548,722
Management Fees	14,914,371	11,725,943
Other Operating Income	263,473	1,440,228
Gross Revenue	15,675,400	13,714,893
Administration and Operating Expenses	14,983,891	14,955,003
Financial Charges	1,850	2,583
Workers' Welfare Fund	684,023	537,134
Total Expenses	15,669,764	15,494,720
Share of Associates' Profit	34,397,243	29,659,641
Impairment Loss on Investments	(885,728)	(1,560,267)
Profit Before Taxation	33,517,150	26,319,547
Profit After Taxation	33,360,396	26,182,398

The Company's Net Profit during the period stood at Rs. 33.36 million as opposed to Rs. 26.18 million in the same period last year. The total expenditures were increased to Rs. 15.67 million from Rs. 15.49 million representing 46% decrease in administrative and operating expenses. Share of Associates' Profit was Rs. 33.36 million as compared to Rs. 29.18 million in the same period last year.

### **Economic Review**

Despite challenges during the initial months of the outgoing FY15, the year ended with a visible improvement in the country's macroeconomic environment. Key indicators that depicted marked improvement are subdued inflationary outlook, easing pressures on external account, monetary easing, lower international oil prices, surging foreign exchange reserves, stable exchange rate and upgrade of rating from stable to positive. Inflationary outlook remained benign with headline inflation clocking in at an average of 4.56% YoY in FY15 against 8.6% YoY in FY14, comfortably remains within SBP's forecast of 4.5-5.5% YoY. The significant decline in FY15 decline was due to sharp decline in transport inflation which moved into a negative territory at an average of 3.9% YoY in FY15 as compared to 4.7% in FY14 followed by tumbling international crude oil prices by 45% in FY15. External Account, which has been the weakest link in Pakistan's economy, improved considerably owing to significant shrinkage of current account deficit from USD 3.1 billion (1.3% of GDP) in FY14 to USD 2.3 billion (0.8% of GDP) in FY15, benefiting from a robust growth in workers' remittances (up by 16.52% YoY), higher inflows under Coalition Support Fund (CSF), and a sharp reduction in oil prices (45% YoY). The real GDP growth at 4.24%, though lower than the target of 5%, has reached the highest level in the last seven years. Following the strategy to spur growth, SBP initiated monetary easing by cutting discount rate cumulatively by 300bps to a historic low at 7% coupled with introduction of target rate 50bps below the discount rate at 6.5%. Investment, which has



been a key concern for economic growth in recent years, is likely to benefit from monetary easing and planned investment under the China-Pakistan Economic Corridor (CPEC).

#### **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**

Casual vacancies occurred on the board on December 6, 2012 could not be filled during the year due to the reason that prior approval of SECP as per NBFC Regulations to ensure the fit and proper criteria for directors of NBFCs was not received by June 30, 2015.

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

During the year, no meeting was held due to lack of quorum of directors.

#### **Audit Committee Meeting**

During the year, no meeting was held due to lack of quorum of directors.

#### **Auditors**

The present Auditor, M/s BDO Ebrahim & Co., Chartered Accountants are due for retirement and being eligible, offer themselves for re-appointment. As required under the Code of Corporate Governance, The audit Committee of Company has recommended the appointment of BDO Ebrahim & Co., Chartered Accountants as auditors for the year ending June 30, 2016.





### **Auditors' Report**

The Auditors have given their opinion on the financial statements of the Company for the year ended June 30, 2015, 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 appellant 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, 2015**

The pattern of shareholding holding as on June 30, 2015 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.

28 October, 2016  
Karachi.

For and on behalf of the  
Board of Directors,

Chairperson



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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, 2015 to comply with the requirements of Listing Regulations of Karachi Stock Exchange (now Pakistan Stock Exchange) 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, 2015.

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	7	All the powers of Board of Directors could not be exercised and decisions on material transaction; including appointment and determination of remuneration and terms and conditions of employment of CEO could not be taken by the board / shareholders after the suspension of the board / shareholders after the suspension of the operation of the Fund.
2	8	Board meetings could not be held during the year due to lack of quorum.
3	9	The Board of Directors has not arranged any training programs for its directors.
4	14	Subsequent to suspension of operations of the Fund, the Company could not comply with the corporate and financial reporting requirements of the Code.
5	15	There were no members of Audit Committee during the year;
6	16	The meetings of the Audit Committee could not be held during the year due to lack of quorum of Directors.
7	17	Subsequent to suspension of operations of the Fund, HR and Remuneration Committee comprised of two members of whom the chairman of the Committee was independent Director and other member was and executive Director. No meeting of HR and Remuneration Committee was held during the year.
8	18	The internal audit function was outsourced to a professional firm which resigned during the year with effect from April 17, 2013. Subsequently to its resignation, no new appointment of Internal Auditor was made during the year.
9	23	The details of related party transactions could not be placed before the Audit Committee and subsequently to Board of Directors for its review and approval.
10	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.

**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.



S.NO	CLAUSE REFERENCE	CLAUSE DESCRIPTION
11	23	Mechanism for an annual evaluation of the Board of Directors' own performance could not be developed; and
12	23	The appointment of auditors for the year could not be suggested by the Audit Committee and approved by Board of Directors.

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, 2015.**

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, 2015 the Board includes:

<b>Category</b>	<b>Names</b>	<b>Designation</b>
Independent Directors	Ms. Shafqat Sultana	Chairperson
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non-Executive Director	Mr. Syed Shabhat Hussain	Director

- 1.1 The operations of the Company /Funds were suspended from 22 March 2013 by SECP vide order number SCD-SD (Enf.)/KHI/DCML/2013/61 in pursuance to a show cause notice issued on 8 November 2012 for violation of Regulation 38(a) and Regulation 38(n) of the Non-Banking Finance Companies and Notified Entities Regulation 2008 (NBFC Regulations). Further Securities and Exchange Commission of Pakistan (SECP), cancelled the license of 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. Consequently, meetings of Board of Directors could not be held due to lack of quorum of Directors.

Management Company filed an appeal before the appellant 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. Subsequently, on 22 January 2015 the appeal was decided in favour of Management Company by the appellant bench.

Based on the above, Management Company is authorized and licensed to undertake Asset Management Services and Investment Advisory Services. Management Company is taking necessary steps to recommence the operations of the Funds.

- 1.2 As at August 31, 2015, SECP accorded its approval for appointment of Directors and at present the Board includes:

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



The independent Directors meet the criteria of independence under clause i (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII 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. The powers of the Board could not be exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO could not be taken by the Board / shareholders due to lack of quorum of Directors subsequent to suspension of operations of the Funds as disclosed in clause 1.1 of the Statement.
8. Board meetings could not be held during the year due to lack of quorum of Directors as disclosed in clause 1.1 of the Statement.
9. The Board has not arranged any training programs for its Directors during the year.
10. No new appointment of Chief Financial Officer, Company Secretary and Internal Auditor has been made during the year. The terms of remuneration of the Chief Financial Officer, Company Secretary and Chief Internal Auditor 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 due to suspension of operations of the Funds as disclosed in clause 1.1 of the Statement.
15. The Board has formed an Audit Committee. Till the suspension of operations of the Funds as disclosed in clause 1.1 of the Statement, Audit Committee comprised 3 members, of whom all were non-executive Directors and the chairman of the Committee was an independent Director. Subsequently, all the members of the Audit Committee resigned from the Board of Directors. At present, Audit Committee comprises three members, of whom the majority are non-executive Directors and the chairman of the Committee is an independent Director.



16. The meetings of the Audit Committee could not be held during the year due to lack of quorum of Directors as disclosed in clause 1.1 of the statement. 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. Till the suspension of operations of the Funds as disclosed in clause 1.1 of the Statement, it comprised three members, of whom the majority were non executive Directors and the chairman of the Committee was an independent Director. During the year, HR and Remuneration Committee comprised of two members of whom the chairman of the Committee was an independent Director and other member was an executive Director. No meeting of HR and Remuneration Committee was held during the year. At present, HR and Remuneration Committee comprises four members, of whom the majority are non-executive Directors and the chairman of the Committee is an independent Director.
18. The internal audit function was outsourced to a professional firm which resigned last year. Subsequently to its resignation, no new appointment of Internal Auditor was made 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. During the year, there were no 'closed period' and business decisions, which may materially affect the market price of Company's securities.
22. There was no material / price sensitive information to be disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the Code have been complied with except for the following which could not be complied due to lack of quorum of Directors for Board and Audit Committee meetings subsequent to suspension of the operations of the Funds as disclosed in clause 1.1 of the Statement including the following:
  - The details of related party transactions could not be placed before the Audit Committee and subsequently to Board of Directors for its review and approval.
  - 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 could not be developed
  - The appointment of auditors for the year could not be suggested by the Audit Committee and approved by Board of Directors.

Date 28 October, 2016  
Karachi

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, 2015 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;

#### BDO Ebrahim & Co. Chartered Accountants

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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, 2015 and of the profit, 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 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 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 Ebrahim & Co. Chartered Accountants

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**BALANCE SHEET  
AS AT JUNE 30, 2015**

	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	7	468,972	840,939
Long-term investments	8	201,955,555	168,444,040
Long-term deposits		36,300	36,300
		<u>202,460,827</u>	<u>169,321,279</u>
<b>CURRENT ASSETS</b>			
Short term investments	9	4,288,754	10,380,482
Receivable from broker	10	-	292,614
Loans and advances	11	-	13,200
Short term prepayments	12	15,650	922,438
Other receivables	13	41,074,322	21,229,903
Taxation - net		4,857,423	8,355,996
Cash and bank balances	14	1,929,499	3,325,781
		<u>52,165,648</u>	<u>44,520,414</u>
		<u>254,626,475</u>	<u>213,841,693</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
20,000,000 ordinary shares of Rs. 10/- each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	15	149,737,500	149,737,500
General reserves		33,630,264	33,630,264
Surplus on revaluation of available for sale investments		738,619	23,827
Accumulated profit		53,298,157	19,937,761
		<u>237,404,540</u>	<u>203,329,352</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	17,221,934	10,512,341
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>			
	17	<u>254,626,475</u>	<u>213,841,693</u>

The annexed notes from 1 to 32 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, 2015**

	June 30, 2015	June 30, 2014
Note	Rupees	Rupees
<b>INCOME</b>		
Remuneration from funds under management	18 14,914,371	11,725,943
Investment income	19 497,556	548,722
	15,411,927	12,274,665
Impairment against investments	20 (885,728)	(1,560,267)
	14,526,199	10,714,398
<b>EXPENSES</b>		
Administrative and operating expenses	21 14,983,891	14,955,003
Financial charges	1,850	2,583
Workers' Welfare Fund	684,023	537,134
	15,669,764	15,494,720
Operating loss	(1,143,565)	(4,780,322)
Other operating income	22 263,473	1,440,228
Share of associates' profit	23 34,397,243	29,659,641
Profit before taxation	33,517,151	26,319,547
Taxation - current	24 156,754	137,149
Net profit for the year	33,360,396	26,182,398
Earnings per share - basic and diluted	25 2.23	1.75

The annexed notes from 1 to 32 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, 2015**

	<b>2015 Rupees</b>	<b>2014 Rupees</b>
Net profit for the year	33,360,396	26,182,398
Other comprehensive income		
Items that will be reclassified to profit and loss account subsequently		
Surplus / (deficit) on revaluation of available for sale investments	714,792	(762,445)
Total comprehensive income for the year	<u>34,075,188</u>	<u>25,419,953</u>

The annexed notes from 1 to 32 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, 2015**

	<b>June 30, 2015 Rupees</b>	<b>June 30, 2014 Rupees</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	33,517,151	26,319,547
Adjustments for items not involving movement of funds:		
Depreciation on property and equipment	495,217	822,253
Impairment against investments	885,728	1,560,267
Unrealized loss on revaluation of held for-trading-investment	-	158,522
Financial charges	1,850	2,583
Gain on disposal of property and equipment	-	(606,997)
Mark-up earned on saving account	(263,473)	(657,438)
Share of associates' profit	(34,397,243)	(29,659,641)
	<u>(33,277,921)</u>	<u>(28,380,451)</u>
Operating cash flows before working capital changes	239,230	(2,060,904)
Decrease / (increase) in current assets		
Loans and advances	13,200	65,800
Short term prepayments	906,788	870,330
Other receivables	(19,844,419)	(15,256,620)
	<u>(18,924,431)</u>	<u>(14,320,490)</u>
Increase in current liabilities		
Trade and other payables	6,709,593	6,292,134
	<u>(11,975,608)</u>	<u>(10,089,260)</u>
Income taxes refunded / (paid) - net	3,341,819	(95,436)
Financial charges paid	(1,850)	(2,583)
Net cash used in operating activities	<u>(8,635,639)</u>	<u>(10,187,279)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Long-term receivable from related parties	-	-
Proceeds from disposal of property and equipment	-	611,000
Receipt of mark-up on term finance certificate	-	-
Receivable from broker	292,614	(292,614)
Investments disposed off / (purchased) - net	6,755,168	(6,965,042)
Receipt of mark-up on saving account	314,825	899,974
Purchase of property and equipment	(123,250)	(28,773)
Net cash generated from / (used in) investing activities	<u>7,239,357</u>	<u>(5,775,455)</u>
Net decrease in cash and cash equivalents	<u>(1,396,282)</u>	<u>(15,962,734)</u>
Cash and cash equivalents at beginning of the year	3,325,781	19,288,515
Cash and cash equivalents at end of the year	<u>1,929,499</u>	<u>3,325,781</u>

The annexed notes from 1 to 32 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, 2015**

	<b>Issued, subscribed and paid-up capital</b>	<b>General reserve</b>	<b>Surplus on revaluation of available for sale investments</b>	<b>Accumulated loss</b>	<b>Total</b>
	<b>Rupees</b>				
Balance as at July 1, 2013	149,737,500	33,630,264	786,272	(6,244,637)	177,909,399
Profit for the year	-	-	-	26,182,398	26,182,398
Other comprehensive loss	-	-	(762,445)	-	(762,445)
Total comprehensive income for the year	-	-	(762,445)	26,182,398	25,419,953
Balance as at June 30, 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

The annexed notes from 1 to 32 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, 2015

### 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 the Karachi Stock Exchange (Now Pakistan 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 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, 2015. As at the year end the Company's equity amounted to Rs. 237,404 million. However, subsequent to the year end, the equity of the Company fell below the minimum requirement. 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. Subsequently, 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. Subsequently, the operations of FDMF has been restored with effect from August 1, 2016.

- 1.5 These financial statements could not be presented to the Board of Directors for their approval by the time frame provided in the applicable laws due to the fact that Board of Directors of the Company lack its quorum and therefore, meeting for the approval of yearly financial statements for 2015 could not be held by due time.

Subsequent to the year end, 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. Subsequently, 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 The Company has adopted the following accounting standards and interpretations which became effective during the year:



		<b>Effective date (annual periods beginning on or after)</b>
	IFRIC 21 Levies	January 01, 2014
<b>4.2</b>	Amendments that are effective in current year but not relevant to the Company	
	The Company has adopted the amendments to the following accounting standards which became effective during the year:	
	IFRS 2 Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
	IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
	IFRS 8 Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
	IFRS 10 Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
	IFRS 12 Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
	IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
	IAS 16 Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
	IAS 19 Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
	IAS 24 Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
	IAS 27 Separate Financial Statements - Amendments for investment entities	January 01, 2014
	IAS 32 Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
	IAS 36 Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
	IAS 38 Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014



IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

#### 4.3 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:

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	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	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the 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 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 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	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	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

#### 4.4 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

The Company expects that the adoption of the above 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 comprise of cash in hand and balances with banks. 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

The following is the statement of property and equipment:

Description	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
	Rupees				
<b>Year ended June 30, 2015</b>					
<b>Net carrying value basis</b>					
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
<b>Gross carrying value basis</b>					
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
<b>Year ended June 30, 2014</b>					
<b>Net carrying value basis</b>					
Opening net book value (NBV)	197,522	6,533	427,444	1,006,922	1,638,421
Additions (at cost)	-	-	-	28,773	28,773
Disposals (NBV)	-	(4,002)	-	-	(4,002)
Depreciation charge	(63,645)	(2,529)	(145,947)	(610,132)	(822,253)
Closing net book value (refer note 5.1)	133,877	2	281,497	425,563	840,939
<b>Gross carrying value basis</b>					
Cost	962,472	1,457,700	811,983	3,150,259	6,382,414
Accumulated depreciation / impairment	(828,595)	(1,457,698)	(530,486)	(2,724,696)	(5,541,475)
Net book value	133,877	2	281,497	425,563	840,939
<b>Depreciation rate % per annum</b>					
	20	20	20	33	

	Notes	June 30,	June 30,
		2015	2014
		Rupees	Rupees
<b>8 LONG TERM INVESTMENTS</b>			
<b>Investments in associates - quoted</b>			
<b>First Dawood Mutual Fund (open-end- fund) - an associate (using equity method)</b>			
8,804,471 (June 30, 2014: 8,804,471) units of Rs. 10/- each representing 34.05% (June 30, 2014: 34.05% ) holding			
		170,074,886	136,618,250
<b>Dawood Income Fund (Open-End- Fund) - an associate (using equity method)</b>			
189,751 (June 30, 2014: 189,751 ) units of Rs. 100/- each representing 3.65% (June 30, 2014: 3.65%) holding			
	8.2	15,614,087	14,673,480
		185,688,973	151,291,730
<b>Available for sale investment - unquoted</b>			
<b>Burj Bank Limited</b>			
5,034 (June 30, 2014: 5,034) fully paid ordinary shares of Rs. 10/- each			
		33,044	40,334
Less: Impairment			
		(3,436)	(7,290)
		29,608	33,044
<b>Dawood Family Takaful Limited - A related party</b>			
2,722,500 (June 30, 2014: 2,722,500) fully paid ordinary shares of Rs. 10/- each			
		17,119,266	18,672,243
Less: Impairment			
		(882,292)	(1,552,977)
		16,236,974	17,119,266
		201,955,555	168,444,040





8.1 The abridged financial information of First Dawood Mutual Fund based on the last un-audited condensed interim financial information as at June 30, 2015 is as follows:

	June 30, 2015	June 30, 2014
	Rupees	Rupees
<b>Associate's Statement of Assets and Liabilities</b>		
Total assets	538,062,647	422,708,125
Total liabilities	38,524,845	21,437,954
Net assets	<u>499,537,802</u>	<u>401,270,171</u>
Share of Company's net assets as at	170,074,886	136,618,250
<b>Associate's Income Statement</b>		
Total income	115,664,039	97,569,490
Net income	98,267,631	84,605,117

The market value of investment in First Dawood Mutual Fund as at June 30, 2015 is Rs. 170,074,886 (2014: Rs. 136,618,250)

8.2 The abridged financial information of Dawood Income Fund based on audited financial statements as at June 30, 2015 is as follows:

<b>Associate's Statement of Assets and Liabilities</b>		
Total assets	450,009,852	416,697,860
Total liabilities	21,836,540	14,318,098
Net assets	<u>428,173,312</u>	<u>402,379,762</u>
Share of Company's net assets	15,614,087	14,673,480
<b>Associate's Income Statement</b>		
Total income	35,183,984	29,985,612
Net income	27,501,049	22,767,598

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, 2015 amounts to Rs. 15,614,087 (2014: Rs. 14,673,480).

## 9 SHORT TERM INVESTMENTS

	June 30, 2015		June 30, 2014	
	Book Value	Fair Value	Book Value	Fair Value
Note -----Rupees-----				
<b>Available for sale investment</b>				
At fair value through profit or loss - held for trading				
Listed shares - others	-	-	6,965,042	6,806,520
(Deficit) / Surplus on revaluation of investments	-	-	(158,522)	-
			6,806,520	6,806,520
Available for sale investments				
Listed Shares - related party	3,573,962	4,288,754	4,336,407	3,573,962
Term Finance Certificates - Listed	-	-	-	-
	3,573,962	4,288,754	4,336,407	3,573,962
(Deficit) / Surplus on revaluation of investments	714,792	-	(762,445)	-
	<u>4,288,754</u>	<u>4,288,754</u>	<u>10,380,482</u>	<u>10,380,482</u>

### 9.1 Listed shares - related party

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

No. of shares		Name of Companies	June 30, 2015		June 30, 2014	
June 30, 2015	June 30, 2014		Book Value	Fair Value	Book Value	Fair Value
Note -----Rupees-----						
<b>Financial services</b>						
2,382,641	2,382,641	First Dawood Investment Bank Limited - related party	3,573,962	4,288,754	4,336,407	3,573,962
			<u>3,573,962</u>	<u>4,288,754</u>	<u>4,336,407</u>	<u>3,573,962</u>



9.1.1 As per SECP Circular 09 of 2006, 2,382,641 (June 30, 2014: 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, 2015		June 30, 2014		
June 30, 2015	June 30, 2014				Book value	Fair value	Book value	Fair value	
57	57	Pace Pakistan Limited (TFC)	2008-2017	Semi Annually	6 months	191,436	-	191,436	-
					KIBOR + 2.0				
		Less: Impairment				(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.

	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
<b>10 RECEIVABLE FROM BROKER</b>			
Unsecured - considered good			
Receivable from broker		-	292,614
		-	292,614
<b>11 LOANS AND ADVANCES</b>			
Unsecured - considered good			
Others		-	13,200
		-	13,200
<b>12 SHORT TERM PREPAYMENTS</b>			
Prepayments	12.1	15,650	922,438
		15,650	922,438
<b>12.1</b>			
This includes Rs. nil (June 30, 2014: Rs. 887,000) prepaid as advance office rent.			
<b>13 OTHER RECEIVABLES</b>			
Remuneration due from funds under management			
Dawood Income Fund - an associate		12,253,483	6,705,799
Dawood Islamic Fund - an associate		3,363,774	2,114,176
First Dawood Mutual Fund - an associate		25,349,315	12,250,826
Accrued mark-up on saving accounts		107,750	159,102
		41,074,322	21,229,903
<b>14 CASH AND BANK BALANCES</b>			
Cash at bank			
Current accounts		101,609	101,609
Saving accounts	14.1	1,827,890	3,224,172
		1,929,499	3,325,781
<b>14.1</b>			
The balance in saving accounts carry profit at rates ranging from 5% to 8.25% per annum (2014:5% to 11% per annum).			



			<b>June 30, 2015</b>	<b>June 30, 2014</b>
			<b>Rupees</b>	<b>Rupees</b>
<b>15</b>	<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
	<b>2015</b>	<b>2014</b>		
	<b>No. of Shares</b>			
	10,000,000	10,000,000		
			Ordinary shares of Rs. 10/- each issued as fully paid in cash	100,000,000
	4,973,750	4,973,750		100,000,000
			Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	49,737,500
	<u>14,973,750</u>	<u>14,973,750</u>		<u>49,737,500</u>
				<u>149,737,500</u>

---- No. of Shares ----

**15.1** 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>

**16 TRADE AND OTHER PAYABLES**

Accrued expenses	14,331,449	8,117,510
Unclaimed dividend	998,742	998,742
Bonus to employees	91,000	91,000
Unrealized loss on derivative financial instruments - net	-	188,369
Workers' Welfare Fund payable	1,800,743	1,116,720
	<u>17,221,934</u>	<u>10,512,341</u>

**17 CONTINGENCIES AND COMMITMENTS**

**17.1 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 filed appeals with the Commissioner of Income Tax Appeals-II (CIT-A) which was decided against the Company. Therefore, appeals have been filed before Income Tax Appellate Tribunal (ITAT) for the Tax Year 2003 and 2004 against the order of CIT-A. 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.

**17.2 Commitments**

There was no commitment as at balance sheet date.

**18 REMUNERATION FROM FUNDS UNDER MANAGEMENT**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
	<b>Rupees</b>	<b>Rupees</b>
Open-end funds		
Dawood Income Fund - an associate	4,158,684	3,934,754
Dawood Islamic Fund - an associate	936,730	845,969
First Dawood Mutual Fund - an associate	9,818,957	6,945,220
	<u>14,914,371</u>	<u>11,725,943</u>

**18.1** Under the provisions of the NBFC Rules and Regulations, the management company / investment advisor of the fund is entitled to a remuneration during the first five years of the fund, of an amount not exceeding the three percent of the average annual net assets of the fund and thereafter of an amount equal to two percent of such assets of the fund. The rates charged to each fund during the period ended June 30, 2015 and 2014 are as under:

	<b>2015</b>	<b>2014</b>
	<b>Remuneration for services rendered as an asset management company</b>	
	<b>----- Percentage -----</b>	
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



18.2 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 and July 25, 2016.

	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
<b>19 INVESTMENT INCOME</b>			
Equity investments			
Unrealized gain / (loss) on revaluation of held-for-trading		-	(158,522)
Unrealized loss on future contracts		-	(188,370)
Gain on sale of investments		497,556	895,614
		<u>497,556</u>	<u>548,722</u>
<b>20 IMPAIRMENT AGAINST INVESTMENTS</b>			
Unquoted shares			
Burj Bank Limited		3,436	7,290
Dawood Family Takaful Limited		882,292	1,552,977
		<u>885,728</u>	<u>1,560,267</u>
<b>21 ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries and allowances	21.1	7,680,263	7,897,508
Rent, rates and taxes		1,161,100	1,161,000
Postage and telephones		285,620	300,315
Legal and professional charges		2,513,000	1,750,520
Printing and stationery		41,174	33,167
Travelling and conveyance		433,742	27,366
Vehicles running		621,053	1,011,692
Electricity		263,978	188,941
Repairs and maintenance		410,198	629,220
Auditors' remuneration	21.2	518,651	518,651
Entertainment		69,709	160,351
Insurance		95,009	147,973
Depreciation	7	495,217	822,253
Subscriptions		365,812	285,154
Others		29,365	20,892
		<u>14,983,891</u>	<u>14,955,003</u>
<b>21.1</b>	This includes an amount of Rs. 0.460 million (2014: Rs. 0.470 million) relating to staff retirement benefits.		
<b>21.1.1 Disclosures relating to Provident Fund</b>			
Size of the fund		82,012,601	73,015,196
Cost of investments made		47,555,452	33,957,731
Percentage of investments made		58%	47%
Fair value of investments		47,555,452	33,957,731
<b>Break-up of investments</b>			
Government securities		25,000,000	10,000,000
Term Finance Certificates		1,838,528	1,839,264
Investment in sukuk		11,450,654	13,690,165
Listed securities		4,145,346	3,307,378
Mutual Funds		5,120,924	5,120,924
		<b>June 30, 2015</b>	<b>June 30, 2014</b>
	<b>Note</b>	<b>% age of size of the fund</b>	
<b>Break-up of investments</b>			
Government securities		52.57%	29.45%
Term Finance Certificates		3.87%	5.42%
Investment in sukuk		24.08%	40.32%
Listed securities		8.72%	9.74%
Mutual Funds		10.77%	15.08%



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, 2015 and audited financial statements as at June 30, 2014. 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.

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>21.2 Auditors' remuneration</b>		
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>
<b>22 OTHER OPERATING INCOME</b>		
Gain on disposal of property and equipment	-	606,997
Mark-up earned on saving accounts	263,473	657,438
Others	22.1 -	175,793
	<u>263,473</u>	<u>1,440,228</u>

22.1 This amount pertains to surplus earned amounting to Rs. nil (2014: Rs. 0.175 million) from the Ladies' Fund Conferences conducted during the year.

## 23 SHARE OF ASSOCIATES' PROFIT

Dawood Income Fund	940,607	854,576
First Dawood Mutual Fund	33,456,636	28,805,065
	<u>34,397,243</u>	<u>29,659,641</u>

## 24 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 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. 10,049,278 (June 30, 2014: Rs. 10,696,004) 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, 2015 amount to Rs. 31,199,304 (2014: Rs. 31,637,271).

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>25 EARNINGS PER SHARE -BASIC AND DILUTED</b>		
Net profit for the year	33,360,396	26,182,398
Weighted average number of ordinary shares	14,973,750	14,973,750
Earnings per share - basic and diluted	<u>2.23</u>	<u>1.75</u>



## 26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	3,200,000	-	960,000	3,200,000	-	960,000
House rent	1,280,000	-	384,000	1,280,000	-	384,000
Bonus	-	-	-	-	-	-
Medical	52,372	-	24,000	39,031	-	24,000
Utilities	320,000	-	96,000	320,000	-	96,000
Provident fund	320,001	-	96,000	320,004	-	96,000
E.O.B.I	4,800	-	4,800	4,800	-	4,800
Meeting fee	-	-	-	-	-	-
	<u>5,177,173</u>	<u>-</u>	<u>1,564,800</u>	<u>5,163,835</u>	<u>-</u>	<u>1,564,800</u>
Number of persons	1	-	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.

## 27 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	2015 Rupees	2014 Rupees
<b>Transactions during the year</b>			
Mutual Funds managed by the Company	Management fee charged	14,914,371	15,525,814
	FED on management fee charged	2,386,299	2,484,130
	Sales tax on management fee charged	2,595,101	2,701,492
Provident Fund	Contribution	460,000	470,000
Key Management personnel	Remuneration	6,741,973	6,728,635
<b>Balances at year end</b>			
Associated companies / other related parties	<b>Units held:</b>		
	Dawood Income Fund 207,601 units (June 30, 2014: 189,751 units)	15,614,087	14,673,480
	First Dawood Mutual Fund 8,804,471 units (June 30, 2014: 8,804,471 units)	170,074,886	136,618,250
	<b>Shares held:</b>		
	<b>First Dawood Investment Bank Limited</b>		
	2,382,641 units (June 30, 2014: 2,382,641) fully paid ordinary shares of Rs. 10/- each	4,288,754	3,573,962
	<b>Dawood Family Takaful Limited</b>		
	2,722,500 units (June 30, 2014: 2,722,500) fully paid ordinary shares of Rs. 10/- each	16,236,974	17,119,266

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.

## 28 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.



**28.1 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, 2015, the fair values of marketable securities exposed to price risk are as follows:

	<b>2015 Rupees</b>	<b>2014 Rupees</b>
Exposure classified as 'available for sale'	<u>4,288,754</u>	<u>10,380,482</u>

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, 2015 is as follows: -

Description	June 30, 2015		June 30, 2014	
	Statement of Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
-----Rupees-----				
Long term investments	201,955,555	201,955,555	168,444,040	168,444,040
Long term deposits	36,300	36,300	36,300	36,300
Short term investment	4,288,754	4,288,754	10,380,482	10,380,482
Loans and advances	-	-	13,200	13,200
Other receivables	41,089,972	41,089,972	22,152,341	22,152,341
Bank Balances	1,929,499	1,929,499	3,325,781	3,325,781
<b>Total</b>	<u>249,300,080</u>	<u>249,300,080</u>	<u>204,352,144</u>	<u>204,352,144</u>

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

	2015 Rupees	2014 Rupees
<b>Financial assets</b>		
<b>Loans and receivables at amortised cost</b>		
Long term loans and deposits	36,300	36,300
Loans and advances	-	13,200
Other receivables	41,074,322	21,229,903
Cash and bank balances	1,929,499	3,325,781
<b>Available-for-sale</b>		
Listed companies	189,977,727	154,865,692
Unlisted companies	16,266,582	17,152,310
	<u>249,284,430</u>	<u>196,623,186</u>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	<u>17,221,934</u>	<u>10,323,971</u>

### 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 -----					
<b>As at June 30, 2015</b>						
Trade and other payable	17,221,934	-	-	-	-	17,221,934
	<u>17,221,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,221,934</u>
<b>As at June 30, 2014</b>						
Trade and other payable	10,512,341	-	-	-	-	10,512,341
	<u>10,512,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,512,341</u>

### 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. 237.404 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, 2015. However, subsequent to the year end, the equity of the company fell below the minimum requirement. 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 investment - unquoted	16,236,974	-	-	17,119,266	-	-
Investments in associates - quoted	185,688,973	-	-	151,291,730	-	-
Fair value through profit and loss-held for trading	-	-	-	6,806,520	-	-
Available-for-sale investments	-	4,288,754	-	6,091,728	4,288,754	-
<b>Valuation techniques</b>	<u>201,925,947</u>	<u>4,288,754</u>	<u>-</u>	<u>181,309,244</u>	<u>4,288,754</u>	<u>-</u>

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, 2015: There were no transfers into or out of Level 3 fair value measurements .

**30 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorised for issue by Board of Directors of the Company on 28 October, 2016.

**31 NUMBER OF EMPLOYEES**

The number of employees as at year end was 3 (2014: 3) and average number of employees during the year was 8 (2014: 12).

**32 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, 2015**

Number Of Shareholders	Shareholding		Total Shares Held
	From	To	
146	1	100	3,756
145	101	500	29,829
158	501	1,000	117,267
93	1,001	5,000	223,290
23	5,001	10,000	161,083
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	187,068
2	45,001	50,000	98,502
2	55,001	60,000	117,019
1	60,001	65,000	60,600
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
<b>620</b>			<b>14,973,370</b>



**Categories of Share Holders As on June 30, 2015**

<b>Categories Of Shareholders</b>	<b>Number Of Shareholders</b>	<b>Total Shares Held</b>	<b>Percentage %</b>
Individuals	597	6,263,413	41.83
Joint Stock Companies	11	1,224,541	8.18
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
	<b>620</b>	<b>14,973,750</b>	<b>100.00</b>

<b>S. No.</b>	<b>Categories of Share holders</b>	<b>Numbers</b>	<b>Shares Held</b>	<b>% Age</b>
<b>1</b>	<b>Associated Companies</b>	<b>3</b>	<b>6,427,630</b>	<b>42.93</b>
	B.R.R. Guardian Modaraba		1,935,505	
	First Dawood Investment Bank Limited		2,246,070	
	The Bank of Khyber		2,246,055	
<b>2</b>	<b>NIT &amp; ICP</b>	<b>3</b>	<b>664,856</b>	<b>4.44</b>
	CDC - Trustee National Investment (Unit) Trust		663,832	
	Investment Corporation of Pakistan		500	
	IDBP (ICP Unit)		524	
<b>3</b>	<b>Directors, CEO their Spouses and Minor Children</b>			
	Miss Tara Uzra Dawood		<b>1,768,458</b>	<b>11.81</b>
<b>4</b>	<b>Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	<b>17</b>	<b>1,617,851</b>	<b>10.80</b>
<b>5</b>	<b>Shareholders holding five percent or more shares in the Company</b>			
	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		781,560	5.22



**FORM OF PROXY**  
**24th 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 10:00 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.

5B Lakson Square Building #1, Sarwar Shaheed Road, Karachi 74200  
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Website: [www.edawood.com](http://www.edawood.com)