



DAWOOD EQUITIES LIMITED

CONTENTS	PAGE NO.
✚ Corporate Objective.....	3
○ Our Vision	3
○ Our Mission.....	3
✚ Company Information.....	4
✚ Notice of Annual General Meeting (AGM-V)	5
✚ Financial & Business Highlight.....	6
○ Graph	6
○ Net Profit Margin	7
○ Debt-to-Assets	8
○ Common Size Vertical Analysis.....	9
○ Common Size Horizontal Analysis.....	10
✚ Directors' Report.....	11
○ Pakistan Financial Year 2010 In Review.....	11
○ Financial Results.....	11
○ Stock Market Review.....	11
○ Pakistan Economic.....	12
○ Board Meeting.....	12
○ Pattern Of Share Holding.....	12
○ Financial Highlight.....	13
○ Investment	13
○ Audit Committee.....	13
○ Auditor.....	13
○ Statement Of Ethics And Business Practices.....	13
○ Statement Of Compliance.....	13
○ Post Balance Sheet Events.....	14
○ Related Party Transactions.....	14
○ Election of Directors.....	14
○ Statement Showing Attendance At Board Meeting ANNEXURE I.....	15
○ Statement Showing Shares Bought And Sold By Director, CEO,CFO, Company Secretary and the Minor Family Members. ANNEXURE II	16
○ Pattern Of Shares Holding ANNEXURE III	17
○ Pattern Of Shares Shareholder category ANNEXURE IV	18
○ Acknowledgment.....	18
✚ Statement of Compliance with the Code of Corporate Governance.....	19
✚ Auditors' Report to the Members.....	22
✚ Review Report To The Member On Statement Of Compliance With Best Practices Of Code Of Corporate Governance.....	24
✚ Financial Statement.....	25
○ Balance Sheet	26
○ Profit & Loss Account	27
○ Comprehensive Income Statement.....	28
○ Cash Flow.....	29
○ Statement of Changes in Equity.....	31
○ Notes	32
✚ Form of Proxy.....	59

BLANK PAGE



CORPORATE OBJECTIVE

Our Vision

Our vision is to be leader of “Brokerage Industry” in Pakistan with a passion to endeavor maximum business opportunities. We strive to deliver results and perform to the highest standards

Our Mission

Our mission is to become a competitive, dynamic and growing brokerage house that provides competitive services, identifies investment opportunities and develops research based data and information.



DAWOOD EQUITIES LIMITED

COMPANY INFORMATION

Chairman	Haji Abdul Ghani
Chief Executive / Director	Mr. Muhammad Munir Issani
Directors	Mr. Abdul Qadir Sakhi Mr. Abdul Aziz Habib Mr. Junaid Zakaria Dada Mr. Asim Iftekhar Yakoob Ms. Rubina Khanum
Chief Financial Officer	Syed Muhammad Imran Rafiq
Company Secretary	Syed Nazeer Haider Zaidi
Audit Committee	Mr. Abdul Aziz Habib- Chairman Mr. Abdul Qadir Sakhi Mr. Asim Iftekhar Yakoob
Auditor	Haroon Zakaria & Co.
Legal Advisor	Rauf & Ghaffar Law Associates
Bankers	Bank Al Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Bank Islami Pakistan limited Dawood Islami Bank Limited Arif Habib Bank Limited MCB Bank Limited
Website	www.dawoodequities.com
Registered Head Office	1700-A, Saima Trade Towers, I.I Chundrigar Road, Karachi. Phone No. 021-32275256-8 Fax No. 021-32275255
Registered Branch Office	Room-22, Old Stock Exchange Br. Building, Stock Exchange Rd. Phone No.021-32461963-65 Fax No. 021-32461962
Registrar	F.D Registrar Services(SMC-Pvt) Ltd Tower -A, Saima Trade Towers, I.I Chundrigar Road, Karachi.



NOTICE OF ANNUAL GENERAL MEETING (AGM-V)

Notice is hereby given that the 5th Annual General Meeting of Dawood Equities Limited will be held at its Registered Office, 1700-A, Saima Trade Towers, I. I.Chundrigar Road, Karachi on Friday, October 29, 2010 at 7:00 p.m. to transact the following business:

Ordinary Businesses

1. To confirm the minutes of last Annual General Meeting held on October 31, 2009.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2010 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration.
4. Any other Business with the permission of the Chair.

October 8, 2010
Karachi

By Order of the Board
Syed Nazeer Haider Zaidi
Company Secretary

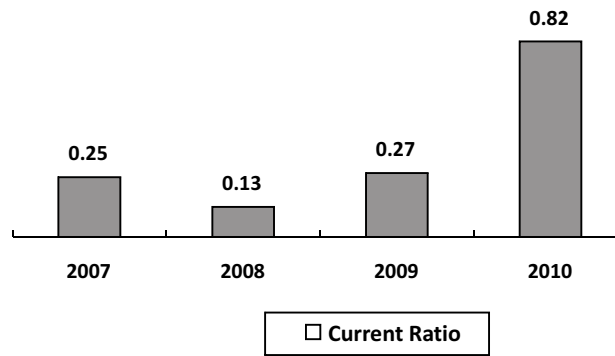
Notes:

1. The share transfer books of the Company shall remain closed from October 23, 2010 to October 29, 2010 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1700-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi at the close of business on October 23, 2010, if any change of address immediately.
2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. No person other than a member shall act as proxy. Proxy forms, in order to be effective, must be received at the Registered Office, duly stamped and signed not less than 48 hours before the meeting.
3. 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 is produced at the time of meeting.

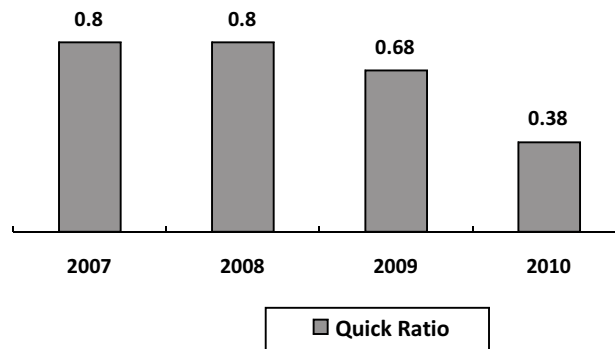
FINANCIAL & BUSINESS HIGHLIGHT

GRAPHS

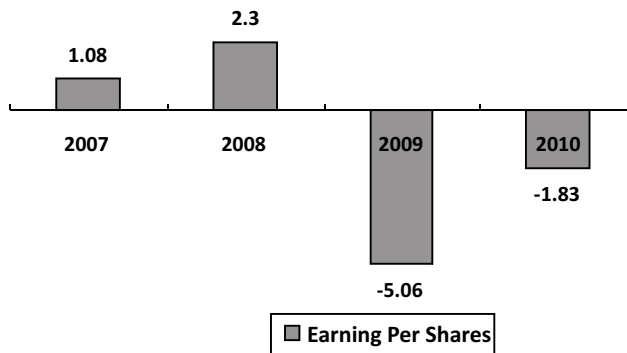
Current Ratio



Quick Ratio



Earnings Per Share

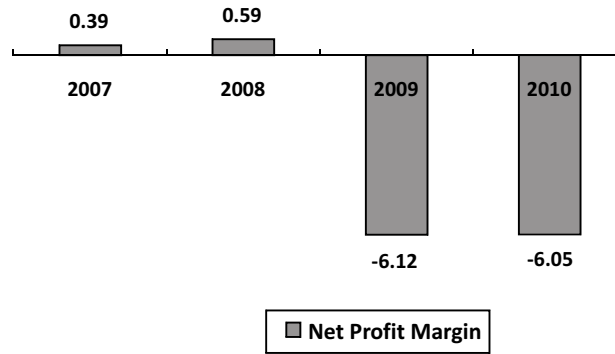




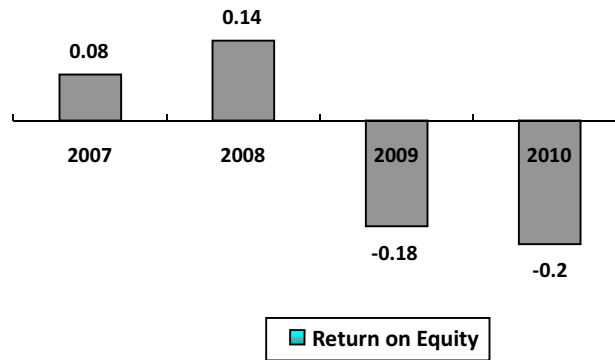
DAWOOD EQUITIES LIMITED

FINANCIAL & BUSINESS HIGHLIGHT

Net Profit Margin



Return-on-Equity



Return-on-Assets



FINANCIAL & BUSINESS HIGHLIGHT

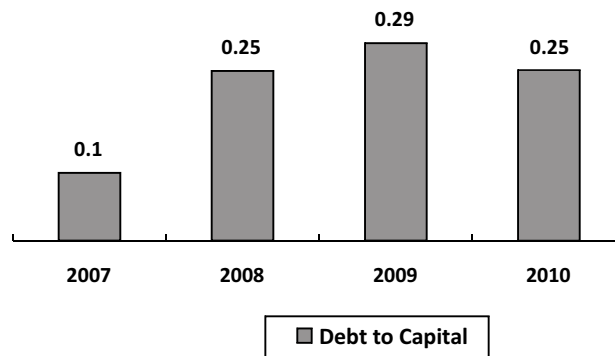
Debt-to-Assets



Debt-to-Equity



Debt-to-Capital





DAWOOD EQUITIES LIMITED

**Balance Sheet
Common Size Vertical Analysis**

	2010	2009	2008	2007
	In %
ASSETS				
NON CURRENT ASSETS				
Property and equipment	0.33%	0.28%	0.37%	0.370%
Intangible assets	0.05%	0.05%	0.04%	0.045%
Stock exchange membership card and room	37.46%	20.92%	11.23%	19.495%
Long term Investment	6.95%	0.00%	0.00%	0.000%
Long term deposits	0.41%	0.23%	0.12%	0.223%
CURRENT ASSETS				
Short term investments	18.80%	50.07%	70.39%	60.422%
Placement and financing	0.00%	0.00%	0.00%	9.243%
Trade debtors	29.86%	24.26%	15.21%	4.252%
Accrued income	0.25%	0.01%	1.14%	1.951%
Advances and other receivables	0.60%	0.26%	0.15%	1.373%
Cash and bank balances	3.97%	3.03%	0.22%	1.856%
Trade deposits and short term prepayments	0.09%	0.17%	0.96%	0.770%
Taxation - net	1.23%	0.72%	0.17%	0.000%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Authorized share capital				
30,000,000 ordinary shares of Rs. 10/- each				
Issued, subscribed and paid up capital	97.94%	54.74%	29.40%	33.42%
Unappropriated profit	-9.91%	4.47%	17.29%	6.66%
LONG TERM LIABILITIES				
Long term Financing	6.95%	0.00%	29.40%	55.70%
Deferred taxation	0.00%	0.01%	0.01%	0.01%
CURRENT LIABILITIES				
Short term borrowings	0.00%	13.33%	16.74%	0.00%
Trade and other payables	5.02%	26.96%	5.89%	1.98%
Accrued mark up	0.00%	0.49%	1.27%	2.14%
Taxation -net	0.00%	0.00%	0.00%	0.07%
TOTAL EQUITY AND LIABILITIES	100.00%	100.00%	100.00%	100.00%



DAWOOD EQUITIES LIMITED

**Balance Sheet
Common Size Horizontal Analysis**

	2010	2009	2008	2007
	In %	
ASSETS				
NON CURRENT ASSETS				
Property and equipment	-48.68%	-23.44%	89.16%	100%
Intangible assets	-35.00%	10.00%	55.00%	100%
KSE membership card and room	9.32%	9.17%	9.17%	100%
Long term Investment	100.00%	0.00%	0.00%	100%
Long term deposits	3.75%	3.75%	3.75%	100%
CURRENT ASSETS				
Short term investments	-82.30%	-15.68%	120.70%	100%
Placement and financing	100.00%	0.00%	-100.00%	100%
Trade debtors	299.48%	480.47%	577.70%	100%
Accrued income	-92.78%	-99.57%	10.86%	100%
Advances and other receivables	-75.01%	-80.64%	-79.18%	100%
Cash and bank balances	21.59%	66.16%	-77.44%	100%
Trade deposits & short term prepayments	-93.06%	-77.12%	135.72%	100%
Taxation - net	100.00%	100.00%	100.00%	100%
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Authorized share capital				
30,000,000 ordinary shares of Rs. 10/- each	0.00%	0.00%	0.00%	100.00%
Issued, subscribed and paid up capital	66.64%	66.64%	66.67%	100.00%
Unappropriated profit	-184.59%	-31.77%	391.53%	100.00%
LONG TERM LIABILITIES				
Long term Financing	-92.90%	-100.00%	0.00%	100.00%
Deferred taxation	-100.00%	-16.55%	27.57%	100.00%
CURRENT LIABILITIES				
Short term borrowings	0.00%	100.00%	100.00%	100.00%
Trade and other payables	43.74%	1282.33%	462.04%	100.00%
Accrued mark up	-100.00%	-76.71%	12.37%	100.00%
Taxation -net	-100.00%	-100.00%	-100.00%	100.00%



DIRECTOR'S REPORT

The Directors of your company were actively involved in considering significant issue and decision making during the financial year. They perform their duties according to the law, Articles of Association and code of corporate governance with the objective of safeguarding the interest of the share holder.

PAKISTAN FINANCIAL YEAR 2010 IN REVIEW

A moderate recovery in the economy has been witnessed despite one of the most serious economic crises in the country's history. GDP growth has begun to seep back into the country; however the biggest concern remains whether this recovery is sustainable. An energy and water shortage, along with the internal security situation and inability to deal with structural issues especially circular debt, poses a considerable hurdle for a more broad based revival of the economy. On the other hand, shortfall in the inflow of external assistance, including from the FoDP combined with the delays in the coalition support fund, has led to high borrowings by the government in the domestic credit market which has resulted in the 'crowding out' of credit to the private sector. An increase in global commodity prices, mainly food has exerted an upward pressure on the domestic inflation where commodities have witnessed a decent increase. Consequently, the state bank has been unable to use expansionary monetary policy which could potentially add to already significant inflation.

FINANCIAL RESULTS

With the review of the last financial result, the gross profit / (loss) of current year is **Rs 6.2 million** profit where as it was **Rs. (70.7) million** loss. The net profit / (loss) is **Rs. (45.7) million** loss where as it was **Rs. (126.6) million** loss in last year. The earnings per share is **Rs. (1.83)** per share where as it was **Rs. (5.06)** per share loss.

The current assets is **Rs 139.9 million** where as it was **Rs. 358.6 million** in last year. Current liability of CY **Rs.12.8 million** where as it was **Rs. 186.2 million** in last year.

STOCK MARKET REVIEW

The KSE-100 index gained 36% in FY 10 and closed at 9,721.91 where as on 30th June 2009 it was 7,162. An average daily turnover of 161m share was recorded during FY 2009-2010 compared to 103m shares in the previous year. Most of the gains in equities occurred in the 1st quarter (July-September 2009: 30.53%). The index further increased during the second half, making a high of 10,669.88 on April 19 before closing the year with clipped gains. Economic indicators have started to stabilize during the year after the turbulent 2009 leading to improving investors' confidence.

Foreign portfolio investment shot up to \$ 569mn in FY 10. foreign participation was mainly driven by attractive valuation of the market as compared to regional players on the flip side it was largely tilted towards index heavy weight. Out of the major sector listed on KSE oil and gas, chemical sector (particularly fertilizer stock) and auto stocks outperformed the market while cement, refineries and insurance sector were the underperformer. OGDC (largest oil and gas Exploration Company) and MCB (largest private sector bank) contributed 52% of index gain (OGDC 45%, MCB 7.0%).



During FY10, KSE100 performance was one of the best among regional indices with MSCI frontier market index (which includes Pakistan) in this time period declining by 3.59% Average daily volume during the year was 161mn shares (Rs6.97bn) versus 105.6mn (Rs4.43bn) a year earlier. During the year eight equity offerings worth Rs 4.3bn were made at local bourses as compared to 4 equity offerings a year earlier.

PAKISTAN ECONOMIC

Pakistan economy has gone through a phase of difficult political and economic reforms over the last two years, aimed at bringing greater stability to the economy. Significant progress has been made under the USD 11.3 billion IMF loan and successful implementation of key reforms has helped to tackle inflation, build up the FX reserves and restore investor confidence. The economy was showing signs of recovery, growing at 4.1% in FY 2010 (ending in June 2010), the fastest pace in the last three years. However, the recent heavy floods have caused massive damage to the economy and threaten to derail the growth momentum. The scale of the devastation is large with 20 million people displaced and massive damage to the road and power infrastructure, loss to the agriculture sector with cotton, rice and sugar crops badly damaged, and loss of livelihoods and houses expected to be close to USD 15 billion (8% of GDP). Government projects growth will slowdown to 2% of GDP in FY 2011, 4.1% in FY 2010. Inflation is anticipated to rise sharply due to loss of sugar and rice crops, and due to the breakdown of transport infrastructure disrupting supply of essential food commodities.

Reconstruction and rehabilitation of the flood affected areas and communities will be the key challenge ahead for policy makers. Significant fiscal reforms are expected to be carried out including tax reforms and power sector reforms to limit the build up in public debt and create fiscal space for the reconstruction spending. Large external support from the IMF and other international financial institutions will be critical to cushion the impact of the floods and sustain the recovery. Pakistan is expected to enter into a new IMF loan facility at the end of the current SBA facility in December 2010, giving balance of payment support in the medium term. Similarly, large FX aid commitments from the world bank (i.e. USD 6.4 billion over the next four years) and Asian Development Bank (annual assistance of USD 1.5 billion) will provide further support to the economy. Pakistan is a key partner to the US and NATO forces in Afghanistan and will continue to benefit from large aid flows, including the USD 7.5 billion aid plan announced by the same administration for Pakistan over the next five years.

BOARD MEETING

A statement showing attendance at Board meeting is Annexed I

PATTERN OF SHAREHOLDING

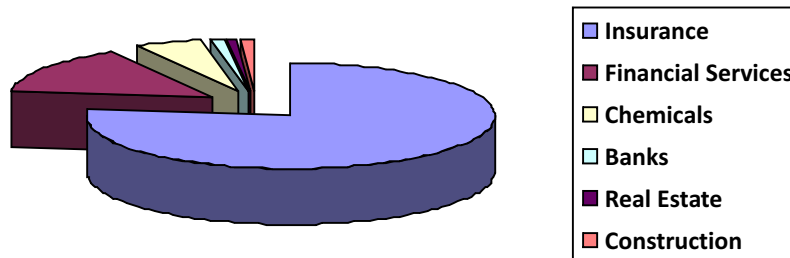
Shares of the company are listed in Karachi. The detail of shareholders and categories of shareholding of the company including share holding by the directors and executive, if any, are annexed II, III and IV.

FINANCIAL HIGHLIGHT

The key operation and financial data has been given in summarized under the caption of “Financial & Business Highlight” and the graphic presentation.

INVESTMENT

Short Term investment by sector



AUDIT COMMITTEE

As requirement under the code of corporate governance, the audit committee continues to perform as per its terms of reference duly approved by the Board.

AUDITOR

The present internal auditor M/S Rifaqat Mansha Mohsin Dossani Masoom & Co has reappointed as internal auditor till March 2011.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board of directors of Dawood Equities Limited has adopted the required Statement of Ethics and Business Practices. All employees of the Company are aware of this statement and its implication on their conduct.

STATEMENT OF COMPLIANCE

Your Company has implemented provisions of the Code of Corporate Governance, since listing at Karachi Stock Exchange. The external auditors has reviewed our report on the statement of compliance with the Code of Corporate Governance there review report is annexed with this report. As per the directives of SECP and Karachi Stock Exchange, the Directors hereby confirm the following code of good governance and ethical business practices as required by clause (xix) of the Code:



- a. The financial statements prepared by the management presents fairly Company's state of affairs, the results of the operations, cash flows and the changes in equity.
- b. Your Company has maintained proper books of accounts.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements. The accounting estimates are based on management's best judgment.
- d. Relevant International Accounting Standards / International Financial reporting Standards, as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and directives of Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statements.
- e. The system of internal controls is sound in design and has been effectively implemented and maintained.
- f. There are no significant doubts over the ability of the entity to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as per the listing regulation of Karachi Stock Exchange.
- h. There are no statutory payments on account of taxes, duties, levies and charges outstanding, except as disclosed in the financial statements

POST BALANCE SHEET EVENTS

There are no material changes during this financial year from July 2009 to June 2010. There is no any dividend or rights or bonus shares is been announced, which reflect the financial statement.

RELATED PARTY TRANSACTIONS

In order to comply with the requirements of listing regulation, company presented all related party transactions before the Audit committee and board for their review and approval. The details of all related party transactions have been provided in note 18 of the disclosure.

ELECTION OF DIRECTORS

New directors has joined the our team and the details of them is mentioned in Annexure I.



Annexure I

**STATEMENT SHOWING ATTENDANCE AT BOARD MEETING
FROM 1ST JULY 2009 TO 30TH JUNE 2010**

S. No.	Name	Designation	Entitlement	Meeting Attended	Leave Granted	Remarks
1	Haji Abdul Ghani	Chairman	4	4	-	Re Elected in AGM Held on 31.10.2009
2	Muhammad Munir Issani	Executive Director	4	4	-	Re Elected in AGM Held on 31.10.2009
3	Abdul Qadir Sakhi	Director	4	4	-	Re Elected in AGM Held on 31.10.2009
4	Abdul Aziz Habib	Director	4	4	-	Re Elected in AGM Held on 31.10.2009
5	Junaid Zakaria Dada	Director	4	4	-	Re Elected in AGM Held on 31.10.2009
6	Asim Iftekhar Yakub	Director	3	2	1	Elected in AGM Held on 31.10.2009
7	Rubina Khanum	Director	3	3	-	Elected in AGM Held on 31.10.2009
8	Muhammad Khalid	Director	1	1	-	Retired in AGM Held on 31.10.2009
9	Muhammad Ayub	Director	1	1	-	Retired in AGM Held on 31.10.2009

**STATEMENT SHOWING SHARES BOUGHT AND SOLD BY DIRECTOR, CEO,
CFO, COMPANY SECRETARY AND THE MINOR FAMILY MEMBERS
FROM 1ST JULY 2009 TO 30TH JUNE 2010**

Categories of Shareholders	Number of Shareholders	Number of Shares held	Category wise No. of Shares	Percentage
1 Associated Companies	-	Nil	-	-
2 NIT / ICP	-	Nil	-	-
3 Names of Directors, CEO their Spouses and Minor Children	7		66,153	0.29
Haji Abdul Ghani Haji Usman	-	49,650	-	-
Mrs. Rubina Khanum	-	1,000	-	-
Mr. Asim Ifkikhar	-	500	-	-
Mr. Aziz Habib	-	1	-	-
Mr. Junaid Zakaria Dada	-	1	-	-
Mr. Abdul Qadir Sakhi	-	1	-	-
Mr. Muhammad Munir Issani	-	15,000	-	-
4 Executive	-	Nil	-	-
5 Public Sector Companies and Corporations	-	Nil	-	-
6 Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds & Others	45		10,824,504	47.87



DAWOOD EQUITIES LIMITED

Annexure III

**PATTERN OF SHARE HOLDING
FOR THE YEAR ENDED JUNE 30, 2010**

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
46	1 -	100	1,639
3293	101 -	500	1,640,628
661	501 -	1000	656,755
704	1001 -	5000	1,838,165
158	5001 -	10000	1,201,223
51	10001 -	15000	653,675
29	15001 -	20000	544,309
16	20001 -	25000	367,496
15	25001 -	30000	427,434
7	30001 -	35000	224,400
7	35001 -	40000	260,899
2	40001 -	45000	89,090
4	45001 -	50000	197,150
5	50001 -	55000	264,500
1	55001 -	60000	59,500
2	60001 -	65000	126,000
3	65001 -	70000	210,000
3	70001 -	75000	217,989
2	75001 -	80000	152,130
1	80001 -	85000	85,000
3	90001 -	95000	278,302
2	95001 -	100000	200,000
1	125001 -	130000	125,669
1	130001 -	135000	133,500
2	155001 -	160000	318,350
1	170001 -	175000	175,000
1	195001 -	200000	200,000
1	210001 -	215000	215,000
3	225001 -	230000	690,000
1	245001 -	250000	250,000
1	295001 -	300000	298,197
1	485001 -	490000	490,000
1	550001 -	555000	551,000
1	595001 -	600000	600,000
1	630001 -	635000	635,000
1	695001 -	700000	698,000
1	1795001 -	1800000	1,800,000
1	2470001 -	2475000	2,475,000
1	2495001 -	2500000	2,499,000
1	3145001 -	3150000	3,150,000
5036			25,000,000



Annexure IV

**PATTERN OF SHARE HOLDING
FOR THE YEAR ENDED JUNE 30, 2010**

S. No.	Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individuals	4,991	14,175,496	56.70
2	Investment Companies	3	750,500	3.00
3	Financial Institutions	5	6,400,000	25.60
4	Modaraba Companies	1	2,499,000	10.00
5	Joint Stock Companies	33	475,176	1.90
6	Insurance Companies	1	1647	0.01
7	Mutual Fund	1	698,000	2.79
8	Charitable Trusts	1	181	0.00
Total		5,036	25,000,000	100.00

ACKNOWLEDGEMENTS

The Board expresses its gratitude to the Securities & Exchange Commission and Karachi Stock Exchange(Guarantee) Limited for their guidance and support. The Board also thanks the employees of the Company for there commitment and hard work and the shareholders for their confidence in the Management.

Dated _____

Mr. Muhammad Munir Issani
Chief Executive Officer



**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2010**

Statement of Compliance with the Code of Governance
(As required by the Listing Regulations).

This Statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 37 Chapter XIII and XI of listing regulations of Karachi Stock Exchange (Guarantee) Limited 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 Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes Six (6) independent non-executive directors. This means 85.71% of the directors of the Board are independent non-executive directors.
2. The directors of the Company have confirmed none of them is serving as director in more than ten listed companies, including the Company.
3. All the directors of the Company are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. A casual vacancy occurred in the Board of the Company, which was filled up by the directors within 30 days thereof.
5. The Company has prepared “Statement of Ethics and Business Practices”, which has been signed by all the directors and employees of the Company.
6. The Board of Directors has adopted a vision/mission statement and all the overall corporate strategy of Company and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.



7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive Officer has been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by the director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board Meeting, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged an orientation course for the directors during the years to apprise them their duties and responsibilities.
10. The Board has approved the appointment of CFO, Company Secretary and Internal Auditors including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient features required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom all are nonexecutive directors.
16. The meetings of audit committee were held at least once every quarter prior to approval of the interim and final results of the company and as required by the code. The terms of reference of the Committee have been formed and advised to committee for compliance.



17. The Board has appointed a firm of Chartered Accountants, as Internal Auditors of the Company and has also approved their terms and conditions. They are considered suitably qualified and experienced for the purpose, are conversant with the policies and procedures of the Company and are involved in the internal audit on a full time basis.
18. 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.
19. The statutory auditors or the persons associated with them not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied.

On Behalf of the Board of Directors
Dawood Equities Limited

Mohammad Munir Issani
Chief Executive

October 4, 2010



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DAWOOD EQUITIES LIMITED as at June 30, 2010 and 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 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 conduct 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 the 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 except for the changes as stated in note 2.5 with which we concur;
 - (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;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the loss, its 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 qualifying our opinion we draw attention of the users of the financial statements to the note 23 of the financial statements which describes uncertainty related to the out come of the suit filed by the company against one of its corporate client for the recovery of Rs.75.436 million. The ultimate outcome of the matter cannot presently be determined and provision is made to the extent that management expects will be irrecoverable.

Haroon Zakaria & Company
Chartered Accountants
Engagement Partner:
Muhammad Haroon

Place: Karachi
Dated: October 4, 2010



REVIEW REPORT TO THE MEMBER ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **DAWOOD EQUITIES LIMITED** to comply with the Listing Regulation No.35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

Further, Sub - Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires Board of Directors to approve related party transactions bifurcating 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. In this connection we are only required and have ensured compliance of requirement to the extent of Board of Directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

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 status of Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Place: Karachi
Dated: October 4, 2010

HAROON ZAKARIA & COMPANY
CHARTERED ACCOUNTANTS

FINANCIAL STATEMENTS



DAWOOD EQUITIES LIMITED

BALANCE SHEET

AS AT JUNE 30, 2010

<u>ASSETS</u>	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>----- Rupees -----</i>	
Non-Current Assets			
Property and equipment	4	853,314	1,272,851
Intangible assets	5	95,655,000	95,745,000
Long term investment	6	17,742,225	-
Long term deposits	7	<u>1,037,500</u>	<u>1,037,500</u>
		115,288,039	98,055,351
Current Assets			
Short term investments	8	<u>48,000,393</u>	228,664,182
Trade debts	9	76,235,742	110,775,044
Accrued income	10	632,175	37,860
Loan and advances	11	282,093	9,750
Trade deposits and short term prepayments	12	239,780	790,553
Other receivable	13	1,257,919	1,183,586
Tax refunds due from government	14	3,148,330	3,299,314
Cash and bank balances	15	<u>10,128,538</u>	<u>13,841,089</u>
		139,924,970	358,601,378
Total Assets		<u>255,213,009</u>	<u>456,656,729</u>
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Authorized share capital			
30,000,000 ordinary shares of Rs.10/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up capital	16	249,965,000	249,965,000
Reserves	17	<u>(25,295,389)</u>	<u>20,403,290</u>
		224,669,611	270,368,290
Non-Current Liabilities			
Long term finance	18	<u>17,742,225</u>	-
Deferred taxation	19	-	51,822
		17,742,225	51,822
Current Liabilities			
Short term borrowings	20	-	60,891,047
Trade and other payables	21	12,801,173	123,106,017
Accrued mark up	22	-	2,239,553
		12,801,173	186,236,617
Contingencies	23		
Total Equity and Liabilities		<u>255,213,009</u>	<u>456,656,729</u>

The annexed notes form an integral part of these financial statements

Chief Executive

Director



DAWOOD EQUITIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>----- Rupees -----</i>	
Operating revenue	24	7,547,411	20,684,580
Capital gain / (loss) on disposal of investments - net	25	3,470,647	(59,315,145)
Loss on remeasurement of investments carried at fair value through profit and loss	26	<u>(4,733,980)</u>	<u>(32,083,521)</u>
		6,284,078	(70,714,086)
Administrative expenses	27	<u>(11,091,206)</u>	<u>(15,108,258)</u>
		(4,807,128)	(85,822,344)
Financial charges	28	<u>(370,940)</u>	<u>(19,340,080)</u>
		(5,178,068)	(105,162,424)
Other operating income	29	623,639	573,580
Other charges	30	<u>(40,524,648)</u>	<u>(21,470,104)</u>
Loss before taxation		(45,079,077)	(126,058,948)
Taxation	31	<u>(619,602)</u>	<u>(502,519)</u>
Loss after taxation		(45,698,679)	(126,561,467)
Loss per share - Basic and diluted	32	(1.83)	(5.06)

The annexed notes form an integral part of these financial statements

Chief Executive

Director



DAWOOD EQUITIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	<i>2010</i>	<i>2009</i>
	<i>----- Rupees -----</i>	
Loss for the year	(45,698,679)	(126,561,467)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(45,698,679)</u>	<u>(126,561,467)</u>

The annexed notes form an integral part of these financial statements

Chief Executive

Director



DAWOOD EQUITIES LIMITED

CASH FLOWS STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	<i>2010</i>	<i>2009</i>
	<i>----- Rupees -----</i>	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(45,079,077)	(126,058,948)
Adjustment for non cash items:		
Depreciation	775,747	1,137,145
Loss on remeasurement of investment	4,733,980	32,083,521
Capital (gain) / loss on disposal of investment	(3,470,647)	59,315,145
Dividend income	(251,564)	(159,752)
Amortization on intangible assets	90,000	90,000
Provision for doubtful debts	39,999,648	20,986,604
Gain on sale of vehicle	(6,000)	(453,128)
Financial charges	370,940	19,340,080
	(2,836,973)	6,280,667
(Increase) / decrease in current assets		
Trade debts	(5,460,346)	(3,390,326)
Accrued income	(594,315)	9,667,623
Loan and advances	(272,343)	988,743
Other receivables	550,773	-
Trade deposits and short term prepayments	(74,333)	7,354,541
	(5,850,564)	14,620,581
(Decrease) / increase in current liabilities		
Trade and other payables	(110,304,844)	73,052,637
	(110,304,844)	73,052,637
	(118,992,381)	93,953,885
Taxes paid	(520,440)	(2,416,743)
Financial charges paid	(2,610,493)	(27,906,725)
	(3,130,933)	(30,323,468)
Net cash (used in) / generated from operating activities	(122,123,314)	63,630,417
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(356,210)	(218,300)
Proceeds from sale of property and equipment	6,000	1,406,375
Disposal of investments - net	161,658,231	(46,554,943)
Dividend received	251,564	159,752
Net cash generated from / (used in) investing activities	161,559,585	(45,207,116)



2010 2009
----- Rupees -----

C. CASH FLOWS FROM FINANCING ACTIVITIES

Receipts / (payments) from Long term finance	17,742,225	(250,000,000)
Net cash generated from / (used in) financing activities	17,742,225	(250,000,000)
Net increase/ (decrease) in cash and cash equivalents	57,178,496	(231,576,699)
Cash and cash equivalents at the beginning of the period	(47,049,958)	184,526,741
Cash and cash equivalents at the end of the period	10,128,538	(47,049,958)
Cash and cash equivalents comprises of:		
Cash and bank balances	10,128,538	13,841,089
Short term borrowing	-	(60,891,047)
	10,128,538	(47,049,958)

The annexed notes form an integral part of these financial statements

Chief Executive

Director



DAWOOD EQUITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1 NATURE AND STATUS OF BUSINESS

- 1.1** Dawood Equities Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on May 3, 2006 under the Companies Ordinance, 1984. The Company commenced commercial operations from October 03, 2006. Subsequently the Company obtained listing on the Karachi Stock Exchange (Guarantee) Limited on April 14, 2008. The registered office of the Company is situated at 1700-A, Saima Trade Towers, I. I. Chundrigar Road, Karachi. The Company's principal business is trading and brokerage of listed equities, underwriting and other investments.
- 1.2** The Company has incurred a net loss of Rs.47.819 million (2009 : Rs.126.561) during the year ended June, 30 2010 and as of that date the Company has accumulated losses amounting to Rs.102.389 million (2009 : Rs.54.570 million). The Company is also in litigation with its key customer as explained in note 23 of these financial statements.

Due to these factors, material uncertainty exists which may cast doubt about the Company's ability to continue as a going concern and the Company may not be able to realize its assets and discharge the liabilities at the stated amounts. However, management is of the opinion that due to regulations of Securities and Exchange Commission of Pakistan the market conditions will improve in future and the Company has also plans to enhance its customer portfolio by implementing improved marketing strategies. The Company has adequate current ratio and positive cashflows. The Company has investment portfolio which can be realized if any cashflow problem arises. These factors mitigate the above mentioned risk, hence these financial statements has been prepared on going concern basis.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except as otherwise mentioned in these financial statements. Further, accrual basis of accounting is followed except for cash flow information.

2.3 Functional and presentation currency

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



2.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements are described as follows: -

Property and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property and equipment. This also includes estimating the residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipments with a corresponding affect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Intangible Assets

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Investments stated at Fair Value

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

Trade and Other Receivables

The Company reviews its debtors portfolio regularly to assess amount of any provision required against such trade debtors. Provisions are made after adjustment of liquid securities available.



2.5 *Changes in accounting policies*

Starting 1 July 2009, the Company has changed its accounting policies in the following areas: -

Effective from

Revised IAS 1 Presentation of Financial Statements (2007)

January 01, 2009

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has opted to present two statements; a profit and loss account and a statement of comprehensive income.

IFRS 8 - Operating Segments

January 01, 2009

This standard requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker, that is, the organization's function which allocates resources to and assesses performance of its operating segments. Management has determined that the Company has a single reportable segment and therefore the adoption of the said IFRS has no impact on the Company.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the change in accounting policies only affect presentation / disclosures of financial statements, there is no impact on profit for the year and earnings per share.

2.6 *Other accounting developments*

Disclosures pertaining to fair values and liquidity risk for financial instruments

The Company has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments. However, the Company does not have any items to report under these levels.



DAWOOD EQUITIES LIMITED

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective during the year, however, they do not affect the Company's financial statements.

2.7. Standards or interpretations effective in financial year 2009-10 but not relevant to the Company

The following standards and interpretation are effective for financial periods beginning on or after July 01, 2009 but are either not relevant or do not have any effect / material effect on the financial statements of the Company: -

IFRS 1	<i>First time Adoption of International Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments).</i>
IFRS 2	<i>Group Cash-settled Share -based Payments Arrangements.</i>
IFRS 3	<i>Business Combinations (Revised)</i>
IFRS 4	<i>Insurance Contracts</i>
IAS 19	<i>(Amendment), 'Employee benefits'</i>
IAS 23	<i>(Amendment) 'Borrowing costs'</i>
IAS 27	<i>Consolidated and separate financial statements</i>
IAS 32	<i>Financial Instruments: Presentation and IAS I Presentation of Financial Statements</i>
IAS 36	<i>(Amendment), 'Impairment of assets'</i>
IAS 38	<i>(Amendment) 'Intangible assets'</i>
IAS 39	<i>Amendments to IAS 39 and IFRIC 9- Embedded derivative</i>
IFRIC 16	<i>Hedge of Net Investment in a Foreign Operating</i>
IFRIC-17	<i>Distributions of Non-cash Assets to Owners</i>
IFRIC 18	<i>Transfers of Assets from Customers</i>



2.8 Standards, Interpretations and Amendments not yet effective

The following standards interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010:

	<i>Effective Date</i>
Amendments to IFRS 5 Non Current Assts Held for Sale and Discontinued Operations	January 01, 2010
Amendments to IFRS 8 Operating Segments	January 01, 2010
Amendments to IAS 1 Presentation of Financial Statements	January 01, 2010
Amendments to IAS 7 Statement of Cash Flows	January 01, 2010
Amendments to IAS 17 leases	January 01, 2010
Amendments to IAS 36 Impairment of assets	January 01, 2010
Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards-Additional Exemption for first time adopters	January 01, 2010
Amendments to IFRS 2 Share-based Payment-Group Cash-Settled share-based Payment Transactions	January 01, 2010
Amendments to IAS 32 Financial Instruments Presentation; Classification of Rights Issues	January 01, 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity	July 01, 2010
Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards-Limited Exemption from Comparative IFRS 7 Disclosure for First time Adopters.	July 01, 2010
Amendments to IFRS 3 Business Combinations	July 01, 2010
	<i>Effective Date</i>
Amendments to IAS 27 Consolidated and separate Financial Statements	January 01, 2010
IAS 24 Related Party Disclosures (Revised 2009): These amendments will result in increase in disclosures in the Fund's financial statements	January 01, 2010
Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their interaction	January 01, 2010



DAWOOD EQUITIES LIMITED

IAS 24 Related Party Consolidated and Separate Financial Statements	July 01, 2010
Amendments to IFRS 1 First - time adoption of IFRSs	January 01, 2011
Amendments to IAS 1 Presentation of Financial Statements	January 01, 2011
Amendments to IFRS 7 Financial Instruments	January 01, 2011
Amendments to IAS 34 Interim Financial Reporting	January 01, 2011
Amendments to IFRIC 13 Customer Loyalty Programmes	January 01, 2011

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and Equipment

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

Depreciation is calculated on straight line basis over the estimated useful life of the assets. Depreciation on additions is charged from the month in which they are available for use and on deletions up to the month of deletion. The estimated useful lives for the current and comparative periods are mentioned in note 4.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace an item of property and equipment is capitalized and the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate at each balance sheet date. Capital work-in-progress is stated at cost less impairment loss, if any.

Gains and losses on disposal of assets, if any, are taken to profit and loss account.

3.2 Intangible Assets

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

Membership Card and Office

This are stated at cost less impairment, if any. Office is taken as intangible because its entitlement is dependent on ownership of card. These are not amortized due to the fact that they have indefinite useful life. Useful life can not be ascertained as it is unknown that how long member will hold the card and office. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

Software

Costs directly associated with identifiable software products that will have probable economic benefits exceeding costs beyond one year are recognized as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use.



DAWOOD EQUITIES LIMITED

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

3.3 Investments

All investments are initially recognized at fair value, being the cost of the consideration given including transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the profit and loss account.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sale an asset.

The management determines the appropriate classification of the investment made by the Company in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of purchase.

The Company classifies its investments in the following categories: -

Held-to-maturity investments

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any accumulated impairment losses.

Financial assets 'at fair value through profit or loss - held for trading'

A non-derivative financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognized in profit or loss when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market prices, are classified as 'available for sale'. Subsequent to 'initial measurement, available for sale' investments are re-measured to fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity. However, any premium or discount on acquisition of debt securities is amortized and taken to the profit and loss account over the life of the investment using the effective interest rate method. When securities are disposed off or impaired, the related fair value adjustments previously taken to equity are transferred to the profit and loss account.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade date-the date on which the Company commits to purchase or sales the assets. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the right to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownerships.



DAWOOD EQUITIES LIMITED

Loan and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

The Company assesses to each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

3.4 Trade debts and other receivables

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade and other receivables is made when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprises cash and bank balances and short term investments having maturity upto three months net of short term borrowings which are repayable on demand.

3.6 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.7 Borrowing Cost

Borrowing costs are interest or other auxiliary costs incurred by the Company in connection with borrowing of funds and is treated as periodic cost and charged to profit and loss account.

3.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in equity or below equity, in which case it is recognized in equity or below equity respectively.

Current

Provision for taxation is determined in accordance with the provisions of Income Tax Ordinance 2001.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The Company recognizes a deferred tax asset only to the extent that it is probable that future taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.9 Provisions

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



3.10 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

3.11 Financial instruments

Financial Instruments carried on the balance sheet date include investments, loans and receivables, deposits, trade debts and other receivables, accrued markup on investments, cash and bank balances, trade and other payables and accrued markup on short term finance.

Financial Assets

The Company classifies its financial assets in held to maturity, held for trading and loans and receivables categories. The classification depends on the purpose for which asset are acquired. Management determines the classification of its financial assets at initial recognition.

Financial Liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognized when the obligation under the liability is discharge or cancelled or expired.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when the Company has a legally enforceable right to off-set the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

3.12 Revenue recognition

Brokerage income is recognized as and when services has been provided.

Capital gains and losses on sale of marketable securities are recorded on the date of sale.

Dividend income is recorded when right to receive dividend is established.

Unrealized Capital gains / (losses) arising from marking to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.

Income from other investments is recognized on accrual basis.

Markup on late settlement by the clients is recognized on accrual basis.

3.13 Transactions with related parties

Transactions with related parties are carried out at arm's length using the methods prescribed in the Companies Ordinance, 1984.

3.14 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

3.15 Dividend distributions and appropriations

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



DAWOOD EQUITIES LIMITED

4 PROPERTY AND EQUIPMENT

<i>Particulars</i>	<i>Owned Asset</i>				<i>Total</i>
	<i>Computers</i>	<i>Office equipment</i>	<i>Furniture & fixture</i>	<i>Motor vehicle</i>	
	----- <i>Rupees</i> -----				
<i>Year ended June 30, 2010</i>					
Opening net book value	356,777	324,852	10,582	580,640	1,272,851
Additions	154,500	96,710	-	105,000	356,210
Disposals					
Cost	(635,880)	-	-	-	(635,880)
Depreciation	635,880	-	-	-	635,880
Net book value	-	-	-	-	-
Depreciation charge	(365,360)	(111,476)	(5,291)	(293,620)	(775,747)
Closing net book value	145,917	310,086	5,291	392,020	853,314
As at June 30, 2010					
Cost	1,189,577	597,687	26,455	1,538,100	3,351,819
Accumulated Depreciation	(1,043,660)	(287,601)	(21,164)	(1,146,080)	(2,498,505)
	145,917	310,086	5,291	392,020	853,314
<i>Year ended June 30, 2009</i>					
Opening net book value	882,621	224,397	15,873	2,022,052	3,144,943
Additions	29,300	189,000	-	-	218,300
Disposals					
Cost	-	-	-	(1,443,490)	(1,443,490)
Depreciation	-	-	-	490,243	490,243
Net book value	-	-	-	(953,247)	(953,247)
Depreciation charge	(555,144)	(88,545)	(5,291)	(488,165)	(1,137,145)
Closing net book value	356,777	324,852	10,582	580,640	1,272,851
As at June 30, 2009					
Cost	1,670,957	500,977	26,455	1,433,100	3,631,489
Accumulated Depreciation	(1,314,180)	(176,125)	(15,873)	(852,460)	(2,358,638)
	356,777	324,852	10,582	580,640	1,272,851
Rate of depreciation (%)	33.33	20	20	20	

Rupees

4.1 Disposal of Property and Equipment

Motor Vehicles

Cost	635,880
Accumulated Depreciation	(635,880)
Book Value	-
Sale Proceeds	6,000
Gain	6,000
Mode of Disposal	Negotiation
Particular of Purchaser	M/s. Shahzad Electronics, Jelani Centre, Tower, Karachi.



	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>----- Rupees -----</i>	
5 INTANGIBLE ASSETS			
Membership card and KSE room	5.1	95,525,000	95,525,000
Computer software	5.4	130,000	220,000
		95,655,000	95,745,000
5.1 Membership Card and KSE Room			
Membership card	5.2	87,500,000	87,500,000
KSE room	5.3	8,025,000	8,025,000
		95,525,000	95,525,000
5.2 This represents cost of membership card of Karachi Stock Exchange (Guarantee) Limited with indefinite useful life, as it could not be ascertained that how long member intends to hold the card.			
5.2.1 The value in use of membership card is measured at Rs.93.886 million discounted at 13.5%. Owing to this factor impairment loss has not been provided.			
5.3 This represent cost of room and trading rights given by Karachi stock exchange with indefinite useful life. These are considered to be indefinite as there is no foreseeable limit on the period during which an entity expects to consume the future economic benefits.			

	<i>Rupees</i>
5.4 Computer Software	
<u>Year ended June 30, 2010</u>	
Opening net book value	220,000
Amortization Charge	(90,000)
Closing net book value	130,000
As at June 30, 2010	
Cost	450,000
Accumulated amortization	(320,000)
	130,000
<u>Year ended June 30, 2009</u>	
Opening net book value	310,000
Amortization Charge	(90,000)
Closing net book value	220,000
As at June 30, 2009	
Cost	450,000
Accumulated amortization	(230,000)
	220,000
Rate of amortization (%)	20



DAWOOD EQUITIES LIMITED

		<i>Note</i>	<i>2010</i>	<i>2009</i>
			----- Rupees -----	
6	LONG TERM INVESTMENT			
	Available for Sale Investment - At cost			
	Term finance certificate - related party	6.1	17,742,225	-
6.1	These are 5,000 term finance certificates having a face value of Rs.5,000 purchased at discounted price and carries the coupon rate of interest of 6 months KIBOR plus 1.6% per annum payable semi annually. The maturity period of these TFC's is September 11, 2012. However, the company does not intend to hold the investment till maturity, therefore, it is stated at cost.			

		<i>Note</i>	<i>2010</i>	<i>2009</i>
			----- Rupees -----	
7	LONG TERM DEPOSITS			
	Karachi Stock Exchange (Guarantee) Limited		700,000	700,000
	Central Depository Company Limited		137,500	137,500
	National Clearing Company Pakistan Limited		200,000	200,000
			<u>1,037,500</u>	<u>1,037,500</u>

8	SHORT TERM INVESTMENTS			
	In related parties	8.1	39,912,017	146,794,654
	Others	8.2	8,088,376	81,869,528
			<u>48,000,393</u>	<u>228,664,182</u>

8.1 Investment in Related Parties

Financial Assets - at fair value through profit and loss - Held for trading

<i>2010</i>	<i>2009</i>		<i>2010</i>	<i>2009</i>
----- Number of Shares -----				
567,613	567,613	Dawood Capital Management Limited.	1,129,550	3,093,491
-	190	B. R. R. Guardian Modaraba	-	513
168,261	145,163	First Dawood Investment Bank Limited.	286,044	445,650
			<u>1,415,594</u>	<u>3,539,654</u>

Financial Assets - Available for sale - at cost

<i>2010</i>	<i>2009</i>		<i>2010</i>	<i>2009</i>
----- Number of Shares -----				
3,849,642	14,325,500	Dawood Family Takaful Company Limited.	38,496,423	143,255,000
			<u>39,912,017</u>	<u>146,794,654</u>

8.2 Other investments

Financial Assets - at fair value through profit and loss - Held for trading

<i>2010</i>	<i>2009</i>		<i>2010</i>	<i>2009</i>
----- Number of Shares -----			----- Rupees -----	
		Ordinary Shares	7,422,505	79,418,059
		Units of open end funds	665,871	2,451,469
			<u>8,088,376</u>	<u>81,869,528</u>



DAWOOD EQUITIES LIMITED

8.2.1 Held for trading - Ordinary Shares

		2010	2009		
		----- Number of Shares -----		----- Rupees -----	
Others					
-	45,000	Abbott Laboratories (Pakistan) Limited	-	3,609,000	
-	11,100	Adamjee Insurance Company Limited	-	932,289	
-	5,000	Agriauto Industries Limited	-	163,200	
49,000	170,000	American Life Insurance Company Limited	801,150	2,383,400	
-	2,222	Arif Habib Bank Limited	-	15,532	
-	9,000	Arif Habib Limited	-	602,010	
-	56,000	Arif Habib Securities Limited	-	1,547,840	
-	9,700	Artistic Denim Mills Limited	-	217,862	
-	36,750	Askari Commercial Bank Limited	-	561,540	
-	7,000	Attock Cement Pakistan Limited	-	491,540	
5,970	12,000	Attock Refinery Limited	480,943	1,497,480	
-	50,440	Bank Al Falah Limited	-	532,142	
-	31,875	Bank Al Habib Limited	-	812,494	
-	43,000	Boc Pakistan Limited	-	4,945,000	
-	34,500	Bosicor Pakistan Limited	-	240,120	
-	1,900	Century Paper & Board Mills Limited	-	25,061	
-	24,900	Cherat Cement Company Limited	-	336,897	
-	20,000	Cherat Papersack Limited	-	723,000	
-	60,000	D.G. Khan Cement Company Limited	-	1,779,000	
-	52,500	EFU General Insurance Limited	-	4,624,725	
-	67,000	EFU Life Assurance Limited	-	6,695,980	
217,486	213,673	Engro Polymer & Chemical Limited	2,183,559	4,093,975	
3,088	-	Engro Chemical Limited	536,015	-	
2,000	-	Eye Television	46,440	-	
-	22,000	Fauji Fertilizer Bin Qasim Limited	-	389,180	
-	20,500	Fauji Fertilizer Company Limited	-	1,782,475	
-	22,500	Faysal Bank Limited	-	217,800	
-	10,040	First Habib Bank Modaraba	-	39,256	
-	30,000	First Habib Modaraba	-	173,100	
-	34,500	Glaxosmithkline Pakistan Limited	-	4,133,445	
-	31,250	Habib Metropolitan Bank Limited	-	775,312	
3,463	32,000	ICI Pakistan Limited	410,573	4,488,000	
-	53,837	IGI Insurance	-	4,863,634	
-	5,000	Indus Motor Company Limited	-	538,600	
-	93,200	Jahangir Siddiqui & Company Limited	-	2,161,308	
-	10,000	MCB Bank Limited	-	1,550,300	
-	21,500	Millat Tractors Limited	-	6,003,660	
-	10,240	National Bank Of Pakistan	-	686,387	
-	6,000	New Jubilee Insurance Limited	-	304,500	
-	57,500	New Jubilee Life Insurance Co Limited	-	2,185,000	
-	203,500	Nishat (Chunian) Limited	-	1,752,135	
18,779	-	Nishat Mills Limited	809,750	-	
17,500	-	NIB Bank	52,325	-	
-	3,500	Orix Leasing Pakistan Limited	-	28,000	
-	4,400	Pakistan Petroleum Limited	-	833,976	
2,050	4,500	Pakistan State Oil Company	533,410	961,425	
67,306	250,000	Pioneer Cement Limited	428,739	3,395,000	
69,475	-	Pace Pakistan Limited	248,026	-	
			c/f.	6,530,930	74,092,580



DAWOOD EQUITIES LIMITED

2010	2009		2010	2009
----- Number of Shares -----			----- Rupees -----	
		b/f.	6,530,930	74,092,580
5,500	-	Pakistan Telecommunication Limited.	97,900	-
56,500	-	Pak PTA Lotpta	455,390	-
2,087	-	P N S C	83,250	-
-	5,000	Shell Pakistan Limited	-	1,119,500
-	23,700	Soneri Bank Limited	-	259,752
-	37,500	Standard Chartered Bank (Pak) Limited	-	318,375
-	15,000	Sui Northern Gas Pipelines Limited	-	479,250
34,500	-	Silk Bank	93,495	-
2,500	18,000	The Bank of Punjab	25,200	197,640
-	2,500	The Hub Power Company Limited	-	67,725
35,000	-	Telecard	93,100	-
1,000	-	Treet Corp. Limited	41,460	-
20,940	-	Invest Capital Bank	1,780	-
-	75,300	United Bank Limited	-	2,883,237
			<u>7,422,505</u>	<u>79,418,059</u>

8.2.2 This includes securities amounting to Rs. 5.916 (2009: nil) million pledged with Karachi Stock Exchange (Guarantee) Limited against trading.

8.2.3 Units of open end funds

2010	2009		2010	2009
----- Number of Shares -----			----- Rupees -----	
79,634.99	79,634.99	NAFA Stock Fund	564,166	483,265
-	107,276.46	NAFA Islamic Income Fund	-	1,009,139
-	100,000.00	NAFA Islamic Multi-Asset Fund	-	857,360
10,000.00	10,000.00	NAMCO Limited	101,705	101,705
			<u>665,871</u>	<u>2,451,469</u>

2010 2009
----- Rupees -----

9 TRADE DEBTS

Considered good		12,273,111	3,658,485
Considered doubtful		<u>124,948,883</u>	128,103,163
	9.1	137,221,994	131,761,648
Provision for considered doubtful	9.2	<u>(60,986,252)</u>	<u>(20,986,604)</u>
		<u>76,235,742</u>	<u>110,775,044</u>

9.1 This includes amount of Rs.32.094 million (2009 : Rs.33.31 million) receivable from individual related parties of the Company against which provision amounting to Rs. 29.474 million has been made by the Company.

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>----- Rupees -----</i>	
9.2 Provision for trade debts considered doubtful:			
Opening balance		20,986,604	-
Provision made during the year	30	39,999,648	20,986,604
		<u>60,986,252</u>	<u>20,986,604</u>
10 ACCRUED INCOME			
Markup on term finance certificates - related party		619,583	-
Brokerage Income		12,592	37,860
		<u>632,175</u>	<u>37,860</u>
11 LOAN AND ADVANCES			
<i>- Considered good</i>			
Loan to staff		<u>282,093</u>	<u>9,750</u>
12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		185,889	609,096
Prepayments		53,891	181,457
		<u>239,780</u>	<u>790,553</u>
13 OTHER RECEIVABLES			
<i>- Considered good</i>			
Receivable from Karachi Stock Exchange		23,674	-
Receivable from Dawood Money Market Fund - related party		960,016	960,016
Bank profit		15,373	120,452
Receivable from First Dawood Investment Bank- related party		103,118	103,118
Miscellaneous receivable		155,738	-
		<u>1,257,919</u>	<u>1,183,586</u>
14 TAX REFUNDS DUE FROM GOVERNMENT			
Income tax			
Paid during the year		3,819,754	3,829,228
Provision for taxation		(671,424)	(529,914)
		<u>3,148,330</u>	<u>3,299,314</u>
15 CASH BANK BALANCES			
Cash in hand		972	-
Cash at bank :			
Current accounts		87,399	418,889
Profit and loss sharing accounts	15.1	10,040,167	13,422,200
		<u>10,127,566</u>	<u>13,841,089</u>
		<u>10,128,538</u>	<u>13,841,089</u>

15.1 Profit and loss sharing accounts carries mark-up at the rate of 5% per annum.



DAWOOD EQUITIES LIMITED

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
<i>Number of Ordinary shares of Rs.10 each</i>		<i>Note</i>	<i>----- Rupees -----</i>	
<u>24,996,500</u>	<u>24,996,500</u>	Fully paid in cash	<u>249,965,000</u>	<u>249,965,000</u>

16.1 Reconciliation of issued, subscribed and paid-up capital

2010	2009		2010	2009
<i>Number of Ordinary shares of Rs.10 each</i>				
<u>24,996,500</u>	25,000,000	Opening balance	<u>249,965,000</u>	250,000,000
-	(3,500)	Confiscated by SECP	-	(35,000)
<u>24,996,500</u>	<u>24,996,500</u>	Closing balance	<u>249,965,000</u>	<u>249,965,000</u>

16.2 Share capital representing Rs.35,000 and premium of Rs.26,250 totaling Rs.61,250 were deposited with SECP under section 18A of the Securities & Exchange Ordinance, 1969. The amount deposited is treated as confiscated and share capital is reduced accordingly on the ground that no allotment of these shares have been made.

16.3 Ordinary shareholders are entitled to attend and vote on the Company meetings and are also entitled to any disbursements made by the Company.

17 RESERVES

- Capital reserve

Share premium is capital reserve and is held for utilization of purposes as stated in section 83 of the Companies Ordinance, 1984.

18 LONG TERM FINANCE

	<i>Note</i>	2010	2009
		<i>----- Rupees -----</i>	
From related party	18.1	<u>17,742,225</u>	<u>-</u>

18.1 This is interest free loan and payable in year 2012.

19 DEFERRED TAXATION

Relating to deductible temporary difference			
Accelerated tax depreciation		(163,129)	51,822
Accelerated tax amortization		(12,816,271)	
Tax losses		(26,334,084)	-
		<u>(39,313,483)</u>	<u>51,822</u>
Relating to taxable temporary difference			
Trade debts-provision for doubtful debts		<u>21,345,188</u>	-
Deferred tax (asset) / liability		<u>(17,968,295)</u>	<u>51,822</u>

19.1 Deferred tax asset has not been recognised on the ground that uncertainty exist regarding future profits of the Company against which the asset could be utilized. However, opening deferred tax liability amounting to Rs.51,822 has been reversed during the year.



DAWOOD EQUITIES LIMITED

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		----- <i>Rupees</i> -----	
20 SHORT TERM BORROWINGS			
Secured - From Banking companies	20.1	-	60,891,047

20.1 The Company has running finance facility amounting to Rs.Nil (2009 : Rs.100) million from a commercial bank under mark up arrangements for meeting the working capital requirements. The rate of mark up is nil (2009 : 3 months KIBOR plus 2.50%). The facility is secured against lien over shares of various companies listed at Karachi Stock Exchange (Guarantee) Limited.

20.2 The unavailed facility at the year end amounting to Rs.Nil (2009 : Rs.39.11 million).

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		----- <i>Rupees</i> -----	
21 TRADE AND OTHER PAYABLES			
Trade creditors	21.1	6,883,809	121,243,030
Accrued expenses		1,757,312	1,808,768
Temporary book overdraft	21.2	4,128,440	-
Withholding tax payable		31,612	54,219
		<u>12,801,173</u>	<u>123,106,017</u>

21.1 This includes amount of Rs.1.213 million (2009 : Rs.107.79 million) payable to related parties of the Company.

21.2 This represents negative balances of the bank book, which is the outcome of the cheques issued to various clients at the year end.

	<i>2010</i>	<i>2009</i>
	----- <i>Rupees</i> -----	
22 ACCRUED MARK UP		
Short term borrowings	-	2,239,553

23 CONTINGENCIES

The Company has filed a suit in the Honorable Sindh High Court Karachi against one of its corporate client against recovery of Rs.75.436 million. The defendant has filed written statement and now the matter is fixed for further proceedings. The Company expects favorable outcome of the case based on expert opinion of its legal advisor. However, provision was made amounting to Rs.15.087 million in the previous year which the management estimated as irrecoverable.

	<i>2010</i>	<i>2009</i>
	----- <i>Rupees</i> -----	
24 OPERATING REVENUE		
Brokerage commission	6,462,676	4,867,477
Underwriting commission	-	43,616
Custody / Laga / NCSS Fees	213,588	-
Profit on certificates of investment	-	1,295,886
Mark-up on term finance certificates - related party	619,583	-
Mark-up on placement of funds	-	7,642,554
Dividend income	251,564	159,752
Late settlement charges	-	6,675,295
	<u>7,547,411</u>	<u>20,684,580</u>



	<i>Note</i>	<i>2010</i>	<i>2009</i>
		----- Rupees -----	
25 CAPITAL GAIN / (LOSS) ON INVESTMENTS - NET			
Investments in related party		-	(51,971,863)
Investments in others		<u>3,470,647</u>	<u>(7,343,282)</u>
		<u>3,470,647</u>	<u>(59,315,145)</u>
26 (LOSS) / GAIN ON REMEASUREMENT OF INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS			
Related parties		<u>(2,197,130)</u>	(19,999,761)
Others		<u>(2,617,751)</u>	(11,537,044)
Units of open end funds		<u>80,901</u>	<u>(546,716)</u>
		<u>(4,733,980)</u>	<u>(32,083,521)</u>
27 ADMINISTRATIVE EXPENSES			
Salaries and other benefits	27.1	<u>4,917,964</u>	6,619,660
Rent, rates & taxes		<u>435,205</u>	549,098
Repairs and maintenance		<u>384,030</u>	261,524
Utilities		<u>741,760</u>	709,890
Fees and subscription		<u>379,859</u>	420,176
CDC charges		<u>696,679</u>	1,238,865
KSE charges		<u>756,768</u>	2,157,542
SECP charges		<u>83,069</u>	102,912
Brokerage and commission		<u>992,486</u>	946,130
Website hosting charges and domain charges		<u>17,700</u>	5,700
Printing and stationery		<u>365,520</u>	413,030
Legal and professional fees		<u>199,929</u>	319,500
Traveling, conveyance and parking charges		<u>8,725</u>	13,028
Entertainment		<u>179,924</u>	72,937
Depreciation	4	<u>775,747</u>	1,137,145
Amortization	5	<u>90,000</u>	90,000
Donation	27.2	<u>6,941</u>	18,501
Miscellaneous expenses		<u>58,900</u>	32,620
		<u>11,091,206</u>	<u>15,108,258</u>

27.1 This includes staff retirement benefits - provident fund amounting to Rs.Nil (2009 : Rs.0.177 million). During the current year the number of employees of the company reduced below the minimum number which qualifies for entitlement for staff retirement benefits.

27.2 None of the directors or their spouses have any interest in the donees of above donations.

	<i>2010</i>	<i>2009</i>
	----- Rupees -----	
28 FINANCIAL CHARGES		
Mark up on		
Long term financing	-	4,874,099
Short term borrowing	<u>322,150</u>	14,357,608
Client credit balances	-	48,432
Bank charges	<u>48,790</u>	59,941
	<u>370,940</u>	<u>19,340,080</u>



DAWOOD EQUITIES LIMITED

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>----- Rupees -----</i>	
29 OTHER OPERATING INCOME			
From financial assets			
Profit on bank accounts		296,762	120,452
From non financial assets			
Gain on sale of fixed assets		6,000	453,128
Liabilities written back		255,983	-
Miscellaneous income		64,894	-
		326,877	453,128
		623,639	573,580
30 OTHER CHARGES			
Provision for bad debts	9.2	39,999,648	20,986,604
Auditors' remuneration	30.1	525,000	483,500
		40,524,648	21,470,104
30.1 Auditors' remuneration			
Statutory audit		250,000	230,000
Half yearly review		55,000	50,000
Certifications and other services		60,000	110,000
System audit		100,000	88,500
Internal Audit		60,000	5,000
		525,000	483,500
30 TAXATION			
Current	30.1	671,424	529,914
Deferred		(51,822)	(27,395)
		619,602	502,519
30.1 Income Tax assessment of the Company has been finalized for the tax year 2009. However the Commissioner of Income Tax may at any time during a period of five years from the date of filing of return may select the deemed assessment for audit.			
30.2 Since the Company is not liable to pay any current tax because of tax loss for the current financial year, therefore, no numerical tax reconciliation has been given. Current year tax charge is the minimum tax chargeable u/s 233A of Income Tax Ordinance 2001.			
31 LOSS PER SHARE			
- Basic and Diluted			
Loss after taxation	<i>Rupees</i>	(45,698,679)	(126,561,467)
Weighted average number of ordinary shares		24,996,500	24,996,500
Loss per share - basic and diluted	<i>Rupees</i>	(1.83)	(5.06)



	<i>2010</i>	<i>2009</i>
	<i>----- Rupees -----</i>	
32 FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
Investment at fair value through profit or loss		
Short term investments	<u>9,503,970</u>	<u>85,409,182</u>
Available for sale investments		
Short term investment	<u>38,496,423</u>	<u>143,255,000</u>
Held to maturity investments		
Long term investment	<u>17,742,225</u>	<u>-</u>
Loans and receivables		
Long term deposits	<u>1,037,500</u>	<u>1,037,500</u>
Trade debts	<u>76,235,742</u>	<u>110,775,044</u>
Accrued income	<u>632,175</u>	<u>37,860</u>
Trade deposits	<u>185,889</u>	<u>609,096</u>
Loan and advances	<u>282,093</u>	<u>9,750</u>
Other receivable	<u>1,102,181</u>	<u>1,183,586</u>
Cash and bank balances	<u>10,128,538</u>	<u>13,841,089</u>
	<u>89,604,118</u>	<u>127,493,925</u>
	<u>155,346,736</u>	<u>356,158,107</u>
FINANCIAL LIABILITIES		
Financial liabilities		
Long term finance	<u>17,742,225</u>	<u>-</u>
Short term borrowings	<u>-</u>	<u>60,891,047</u>
Trade and other payables	<u>12,801,173</u>	<u>123,106,017</u>
Accrued mark up	<u>-</u>	<u>2,239,553</u>
	<u>30,543,398</u>	<u>186,236,617</u>

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks potential adverse effects on the Company's financial performance.

Risk managed and measured by the Company are explained below: -

- a) Credit risk
- b) Liquidity risk
- c) Market Risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.



DAWOOD EQUITIES LIMITED

a) 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, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfill their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises principally from the long term investment, trade debts, Loan and advances, accrued income, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

Out of the total financial assets of Rs.155.347 (2009 : Rs.356.158) million the financial assets which are subject to credit risk amounted to Rs.108.011 (2009 : Rs.129.945) million.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date is: -

	2010	2009
	----- Rupees -----	
Long term deposits	1,037,500	1,037,500
Investments- long term and short term	18,408,096	2,451,469
Trade debts	76,235,742	110,775,044
Accrued income	632,175	37,860
Loan and advances	282,093	9,750
Trade deposits and short term prepayments	185,889	609,096
Other receivables	1,102,181	1,183,586
Bank balances	10,127,566	13,841,089
	<u>108,011,242</u>	<u>129,945,394</u>

The maximum exposure to credit risk for trade debts is from Ali Pervaiz (Private) Limited having the outstanding balance at balance sheet date amounting to Rs.60.349 (2009 : Rs.60.349) million.

Provision for impairment losses

The aging of trade debts as at balance sheet is summarized below: -

	2010		2009	
	Gross	Impairment	Gross	Impairment
	----- Rupees -----			
Past due 1-30 days	926,350	-	-	-
Past due 31 days -90 days	3,172,054	-	3,658,485	-
Past due 90 days -1 year	8,158,702	-	-	-
More than one year	124,964,888	(60,986,252)	128,103,163	(20,986,604)
Total	<u>137,221,994</u>	<u>(60,986,252)</u>	<u>131,761,648</u>	<u>(20,986,604)</u>

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debts past due upto one year do not require any provision. The Company considers Rs.64.068 (2009 : Rs.107.117) million as recoverable out of total over due trade debts for more than one year.



DAWOOD EQUITIES LIMITED

Concentration of credit risk

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

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available. The following are the contractual maturities of financial liabilities, including estimated interest payments: -

	<i>2010</i>			
	<i>Carrying Amount</i>	<i>Contractual Cash flows</i>	<i>Less than one year</i>	<i>More than one year</i>
	----- Rupees -----			
Financial Liabilities				
Long term finance	17,742,225	17,742,225	-	17,742,225
Short term borrowings	-	-	-	-
Trade and other payables	12,801,173	12,801,173	12,801,173	-
Accrued mark up	-	-	-	-
	30,543,398	30,543,398	12,801,173	17,742,225

	<i>2009</i>			
	<i>Carrying Amount</i>	<i>Contractual Cash flows</i>	<i>Less than one year</i>	<i>More than one year</i>
	----- Rupees -----			
Financial Liabilities				
Long term finance	-	-	-	-
Short term borrowings	60,891,047	63,452,751	63,452,751	-
Trade and other payables	123,106,017	123,106,017	123,106,017	-
Accrued mark up	2,239,553	2,239,553	2,239,553	-
	186,236,617	188,798,321	188,798,321	-

c) Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price 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 and investment policies and guidelines. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year end, the Company is not exposed to any currency risk.



DAWOOD EQUITIES LIMITED

Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was as follows: -

	<i>2010</i>	<i>2009</i>
	<i>Effective Interest Rate (In Percent)</i>	
<u>Financial instruments</u>		
Fixed Rate Instruments		
Bank balance - PLS account	5	5
Variable Rate Instruments		
Short term borrowings	-	15.2

Sensitivity analysis for fixed rate instruments

In the current year, Company's fixed rate instrument are balances with bank in PLS account whose fair value is not sensitive to change. These are also not cash flow sensitive.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on same basis for 2009.

	<i>Profit and loss 100 bp Increase (Decrease)</i>	
<i>As at June 30 2010</i>		
Cash flow Sensitivity - variable rate instruments	-	-
<i>As at June 30 2009</i>		
Cash flow Sensitivity - variable rate instruments	<u>944,579</u>	<u>(944,579)</u>

Sensitivity analysis for the current year is nil because interest bearing liabilities are fully paid.

Price Risk

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

- Sensitivity analysis

At reporting date, if the market prices of each security held by the Company as short term investment had increased / decreased by Rupee 1 with all other variables remain constant, pre tax profit would have been higher / lower by the amount shown below. The analysis is performed on same basis for 2009.

	<i>2010</i>	<i>2009</i>
	<i>----- Rupees -----</i>	
Effect on profit		
Increase / Decrease	<u>614,144</u>	<u>2,066,527</u>



DAWOOD EQUITIES LIMITED

Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company finances its operations through equity, short term borrowings and by managing working capital.

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios worked out as follows: -

		<i>2010</i>	<i>2009</i>
	<i>Note</i>	<i>----- Rupees -----</i>	
Long term finance	18	17,742,225	-
Short term borrowings	20	-	60,891,047
Less: Cash and bank balances	15	(10,128,538)	(13,841,089)
Net debt		7,613,687	47,049,958
Total equity		224,669,611	270,368,290
Total Capital		232,283,298	317,418,248
Gearing ratio		3.28%	14.82%

34 RELATED PARTY TRANSACTIONS

Related parties comprises member companies, directors, key management personnel of member companies and various other related parties that has an interest in the Company that gives it significant influence over the Company. Details of transactions with related parties during the year are as follows: -

	<i>2010</i>	<i>2009</i>
	<i>----- Rupees -----</i>	
Investment transactions with Member Companies		
Placement of funds made during the year	-	105,000,000
Placement of funds mature/pre-mature during the year	-	(430,000,000)
Shares purchased during the year	-	70,684,862
Shares sold during the year	104,758,577	(75,326,923)
TFC's purchased during the year	-	10,897,796
TFC's sold during the year	-	(30,278,919)
Mutual funds unit purchased during the year	-	4,000,000
Mutual funds unit redeem during the year	1,857,360	(4,000,000)
	106,615,937	(349,023,184)
Borrowings from Member Companies		
Borrowing of funds during the year	-	283,385,000
Repayment of Borrowings during the year	104,758,577	(533,385,000)
	104,758,577	(250,000,000)



2010 2009
----- Rupees -----

Commission earned from brokerage transactions with member companies and key management personnel of members companies	2,683,767	1,007,962
Profit earned from member companies:		
On redemption of units	-	5,294
On TFC	619,583	3,877
On certificate of investment	-	3,887,671
On placement of funds	-	6,528,854
On Musharika	-	8,227,398
Markup charged to member companies on borrowings	-	4,874,102
Expenses paid to member companies	122,179	1,324,377
Fixed assets sold to the member company	-	1,406,375
Gain on sale of fixed assets to the member company	-	453,128

Year end balances are mentioned in relevant notes.

The above transactions are at arm's length basis on commercial terms and conditions.

35 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including certain benefits, to the Chief Executive Officer of the Company is as follows: -

	<i>Chief Executive</i>	
	2010	2009
	----- Rupees -----	
Managerial remuneration	1,407,996	1,407,996
House rent	512,004	512,004
Medical expenses	24,000	24,000
	1,944,000	1,944,000
Number of persons	1	1



The Company has also provided the Chief Executive Officer with company maintained car.

The directors of the Company have not drawn any remuneration during the current financial year.

None of the employees fall under the category of executives as defined in Companies Ordinance, 1984.

36 RECLASSIFICATION

Comparative information has been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. Significant reclassifications includes following: -

<i>Re-classified from</i>	<i>Re-classified to</i>	<i>Note</i>	<i>From</i> ----- <i>Rupees</i> -----	<i>To</i>
Advances and other receivable	Loans and advances	10	233,320	9,750
Advances and other receivable	Other receivable	13	233,320	223,570
Trade debts	Other receivable		960,016	960,016
Short term investments-through profit and loss	Short term investments-available for sale	8	143,255,000	143,255,000

Impact of above reclassifications on the Balance Sheet for the year ended June 30, 2008 are summerized below:

<i>Re-classified from</i>	<i>Re-classified to</i>	<i>2008</i> ----- <i>Rupees</i> -----	
Advances and other receivable	Loans and advances	1,283,313	416,754
Advances and other receivable	Other receivable	1,283,313	866,559
Short term investments-through profit and loss	Short term investments-available for sale	149,255,000	149,255,000

As the aforementioned reclassifications do not have any material impact on the face of the balance sheet, therefore, the Company has not presented the balance sheet as at the beginning of the earliest comparative period presented (i.e. June 30, 2009).



37 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan. There were no change in the reportable segments during the year.

The Company is domiciled in Pakistan. The Company's revenue is generated from shares brokerage, portfolio management, investment advisory, consultancy and underwriting services.

All non-current assets of the Company at June 30, 2010 are located in Pakistan.

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on October 4, 2010

Chief Executive

Director



DAWOOD EQUITIES LIMITED

FORM OF PROXY

I/We, _____

of _____

Dawood Equities Limited appoint Mr./Mrs./Ms. _____

_____ of _____

as my proxy to vote for me/us and on my / our behalf at the Annual General Meeting to be held on 29th day of October, 2010 at 7.00 p.m. and at any adjournment thereof.

As witnessed under my/our hand this _____ day of _____ 2010 _____

Signed by _____

Signature and address of the witness

Signature and address of the witness

Please affix
revenue
stamp

Signature of member



Affix
correct
postage

The Company Secretary
DAWOOD EQUITIES LTD.
1700-A, Saima Trade Tower,
I.I. Chundrigar Road,
Karachi.