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CORPORATE INFORMATION

Board of Directors	Mr. Feroze Sayeed-Ud-Deane Miss Tara Uzra Dawood Mr. Iftikhar Hussain Mr. Nazimuddin Feroz AVM (Retd.) Zulfiquar Ahmed Shah Mr. S. Shabahat Hussain Mr. Asim Iftikhar	Chairman Chief Executive Officer Director Director Director Director Director	(Nominee of BRRGM) (Nominee of FDIB) (Nominee of BRRGM) (Nominee of FDIB) (Subject to SECP Approval) (Subject to SECP Approval)
Chief Financial Officer	Mr. Muhammad Saleem Munshi		
Company Secretary	Mr. Tahir Mehmood		
Audit Committee	AVM (Retd.) Zulfiquar Ahmed Shah Mr. Iftikhar Hussain	Chairman Member	
Auditors	Ford Rhodes Sidat Hyder & Co. Chartered Accountants		
Legal Adviser	Rauf & Ghaffar Law Associates Advocates Suite No. 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar, Karachi-75530.		
Banker	Dawood Islamic Bank Limited Bank AL Habib Limited Habib Metropolitan Bank Limited Oman International Bank S.A.O.G.		
Registered Office	1500-A Saima Trade Towers, I. I. Chundrigar Road, Karachi 74000 UAN: 111-DAWOOD (111-329-663) PABX: (92-21) 3227-1874/88 Fax: (92-21) 3227-1912 E-mail: dcm@firstdawood.com Website: www.edawood.com		
Registrars	F.D. Registrar Services (SMC-Pvt.) Ltd. 1700-A Saima Trade Towers, I. I. Chundrigar Road, Karachi 74000		
Rating	PACRA: AM4+		

Mission/Vision Statement

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

BOARD OF DIRECTORS



Mr. Feroze Sayeed-Ud-Deane

Mr. Deane is a Bachelor of Science from Dacca University. He has over 44 years of working experience. He is currently working with Castle Overseas Company, a company involved in Export of Textile products to the US. Before this he has worked in National & Grindlays Bank Ltd, Habib Bank Ltd, and BCCI International in various capacities. He was also with in Banco De Descuento, Madrid, Spain as General Manager, and BCCI London as Executive Incharge in Latin America, Vice Chairman and Managing Director BCC Spain.



Miss Tara Uzra Dawood

Miss Tara Uzra Dawood has done her Doctorate of Juridical Science (J.D.) from Harvard Law School, Massachusetts, USA, and Bachelor of Arts Honors (A.B.) from Cornell University, New York, USA, Oxford University. She has worked for law firms in New York, Toronto, Amsterdam and California and is a specialist in mergers and acquisitions and corporate law. She is Chief Executive Officer of Dawood Capital Management Ltd.



Mr. Nazimuddin Feroz

He is a graduate and a very experienced industrialist. He has been working as a director for Efroze Chemical Industries and Maple Pharmaceutical (Pvt.) Ltd., since inception and also working as a registered partner for other firms as well.



Mr. S. Shabahat Hussain (Subject to Approval of SECP)

Mr. S. Shabahat Hussain is a Master in Business Administration in Banking & Finance. He is Fellow member of Institute of Marketing Management, Institute of Chartered Secretaries, and Institute of Chartered Managers..Mr. S. Shabahat Hussain has over 40 years extensive domestic and international banking experience in various field.



Mr. Asim Iftikhar Yakub (Subject to Approval of SECP)

Mr. Asim Iftikhar Yakub is a Master in Business Administration from Szabist. He did his B.Sc.Economic from University of London (external program) and also did his B.B.A from DOE College, USA. Mr. Asim Iftikhar Yakub has over 17 years of experience in Education IT and E-Commerce and Textile Industry.



AVM (Retd.) Zulfiqar Ahmed Shah

Mr. Shah has the honour of serving Pakistan Air Force (PAF) with over 34 years of Commissioned Service. He has extensive knowledge and experience of operation at PAF. He is a graduate of Air Command and Staff College of Air University, USAF and National Defence College. He has also managed a large public sector corporation when he was sent on deputation to the Civil Aviation Authority.



Mr. Iftikhar Hussain

Mr. Iftikhar is the Master in Business Administration in Finance from New York University. He did his BSE in Computer Science from University of Pennsylvania. Mr. Hussain has over 24 years of experience in Finance and since last 16 years he was working as CEO of private limited company.

KEY MANAGEMENT PERSONNEL



Mr. Muhammad Saleem Munshi (Chief Financial Officer)

Mr. Muhammad Saleem Munshi is Master in Business Administration (Finance). He is one of the founder member of first perpetual Modaraba of Pakistan i.e. B.R.R. Guardian Modaraba (BRRGM) and has been associated with the Modaraba from 1983 till 2008 which covers 25 years experience. He specializes in Islamic mode of financing i.e. Ijara, Musharaka, Morabaha and other related transactions. His core responsibilities include Financial Management & Reporting, Taxation, Finalization of Accounts and Budgeting etc.



Mr. Khalid Mahmood (Fund Manager Fixed Income)

Mr. Khalid Mahmood has over 7 years experience in the financial markets. He has served with institutions such as National Bank of Pakistan, where he held the position of an Assistant Portfolio Manager (Equity) and Technical & Investment Analyst in Atlas Asset Management. He is a Masters of Business administration (MBA) and Masters of Economics & Finance (MEF) from Karachi University. He is also enrolled for Chartered Financial Analyst (CFA) from CFA Institute, USA.



Mr. Muhammad Ahmed (Fund Manager Equity)

Mr. Ahmed has over 22 years of experience with the financial markets. He is responsible for managing the equity portfolio. His expertise includes hedging/arbitrage of shares, communications with various brokers, coordination with treasury department for pledging and releasing of shares, managing settlement and payment of shares on NCSS, T+3, T=1 and future counters, continuous funding system, assessing and analyzing of the annual reports of companies



Mr. Tahir Mehmood (Company Secretary)

Mr. Mehmood is an Associate Member of the Institute of Corporate Secretaries of Pakistan and Associate Member of the Institute of Chartered Secretaries and Managers (Chartered Secretary Stream). Before joining First Dawood Group (FDG) he was working as Assistant Manager in Deloitte M. Yousuf Adil Saleem & Company, Chartered Accountants for over six years. His areas of expertise include Corporate Affairs, Financial Advisory Services, merger & acquisitions.



Mr. Muhammad Aamir Siddiqui - (Head of Compliance & Risk Management)

Mr. Muhammad Aamir Siddiqui is Chartered Accountant - Intermediate of Institute of Chartered Accountants of Pakistan. He has also completed his Bachelors of Commerce from Balochistan University. He has completed four years as audit trainee with M. Yousuf Adil Saleem and Co., Chartered Accountants, member firm of Deloitte Touché Tohmatsu in the Audit & Assurance department. His areas of expertise include Corporate Affairs, Non-Banking Financial Companies and Notified Entities, Code of Corporate Governance, Risk Management of Debt and Equity Portfolios.



Mr. Mustansir Shabbar (Head of Customer Services)

Mr. Mustansir is Master of Computer Science and Master of Public Administration (Finance) from Karachi University and associated with DCM for over 6 years. He has expertise in customer services and working as a key member for every DCM Funds since inception.



NOTICE OF ANNUAL GENERAL MEETING (AGM XVIII)

Notice is hereby given that the AGM XVIII of the shareholders of the Company will be held on Friday, October 09, 2009 at 10:00 a.m. at the registered office at 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi to transact the following business:

Ordinary Business

1. To confirm the Minutes of the AGM XVII held on October 28, 2008.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2009 together with Directors and Auditors Reports thereon.
3. To appoint the Auditors and fix their remuneration.

Special Business

4. To consider and approve the re-fixation of Directors Fee and reimbursement of expenses of CEO and if thought fit to pass the following Ordinary Resolution with or without modification.
5. Any other Business with the permission of the Chair

A statement under section 160 of the Companies Ordinance, 1984 setting forth all material facts concerning to above special business is annexed to the notice of meeting being sent to the shareholders.

By Order of the Board

September 17, 2009
Karachi

Tahir Mehmood
Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from October 03, 2009 to October 09, 2009 (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, 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 a corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.

Statement under Section 160 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business to be transacted at the AGM of the Company to be held on October 09, 2009.

Agenda Item No. 4

The Board of the Company is comprised of competent, high profile members having diversified experience who are devoting their significant time on oversight of the Company's function and in order to attract and retain competent senior professionals on the Board. The Directors fee is re-fixed as under:

Resolved that the Directors be and is hereby entitled for the following fee;
Board of Directors meeting Rs.5000/- per meeting and for other meetings Rs.3000/- (including Audit Committee meeting).

Further Resolved the following revised reimbursement of expenses for CEO be and is hereby approved:

1. Utilities on actual basis
2. Fully maintained 1800 CC vehicle together with Driver, petrol, maintenance and comprehensive car insurance.
3. Club fees
4. Business travel.
5. Mobile bill.
6. Life/Medical Insurance
7. Other as may be from time to time Board will approve.

Other entitlements as may be decided/granted any time from time to time by the Board of Directors of the company and/or in accordance with the policy and service rules of the company in vogue.

FINANCIAL HIGHLIGHTS

	2009	2008	2007	2006	2005	2004	2003	2002
	Rupees in Million							
Authorized Capital	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
Paid-Up Capital	149.74	136.13	121.00	110.00	100.00	100.00	100.00	100.00
Shareholders' Equity	153.32	392.69	259.06	199.07	157.80	142.40	135.69	130.78
Total Assets	197.18	512.90	347.45	259.11	259.40	187.06	174.75	135.50
Short-Term Investment in Securities	32.04	267.78	131.56	105.01	223.46	164.86	154.79	103.18
Short-Term Investment in Deposits	-	15.00	-	-	15.00	-	-	-
Income From Investments	6.26	16.49	12.25	15.28	21.43	16.58	16.75	18.56
Management Fee	28.47	67.70	38.48	29.90	14.93	6.06	0.63	-
Other Income	2.72	0.45	0.54	0.40	6.85	1.53	0.70	1.01
Impairment Loss on Investments	(52.06)	-	-	-	-	-	-	-
(Loss)/Profit Before Taxation	(102.19)	23.86	42.67	42.65	21.11	6.85	7.90	9.60
Taxation	0.34	3.53	(1.27)	4.56	4.52	1.95	1.64	2.55
(Loss)/Profit After Taxation	(102.53)	20.33	43.94	38.09	16.59	4.90	6.25	7.05
Book Value Per Share	10.24	28.87	21.41	16.45	15.78	14.24	13.57	13.08
(Loss)/Earnings Per Share	(6.85)	1.49	3.63	3.15	1.51	0.49	0.63	0.71



DIRECTORS' REPORT

On behalf of the Board of Directors of Dawood Capital Management Limited ("DCM" or the "Company"), it gives me immense pleasure to present the Seventeenth Annual Report along with the audited financial statements for the year ended June 30, 2009.

Operations and Performance

	June 30, 2009	June 30, 2008
Rupees.....	
Profit Earned On Investments	6,261,905	16,485,502
Management Fees	28,471,281	67,701,271
Other Operating Income	2,720,280	452,948
Gross Revenue	37,453,466	84,639,721
Administration and Operating Expenses	42,134,453	52,497,190
Financial Charges	9,670,475	13,669,384
Total Expenses	51,804,928	66,166,574
Share of (Loss)/Profit of Associates	(35,776,881)	5,381,927
Impairment Loss on Investments	(52,061,839)	-
(Loss)/Profit Before Taxation	(102,190,182)	23,855,074
(Loss)/Profit After Taxation	(102,529,852)	20,329,345

The Financial Year under review became victim of economic and liquidity crunch for the company along with similar happenings in rest of the world. Overall financial position in current year shows a declining trend as compared to last year. Gross revenue decreased by 56% to Rs. 37.45 Million as compared to Rs. 84.64 Million last year. Thus gross revenue also showed a downward surge due to the reason that Dawood Capital Management Company Limited (DCML) being the Management Company of Dawood Money Market Fund (DMMF), Dawood Islamic Fund (DIF) and First Dawood Mutual Fund (FDMF), decided to waive the Management fee of Dawood Money Market Fund for the period from September 2008 to June 2009 in order to normalize the effects of deteriorated economic conditions. Similarly Profit Earned on Investment also remained effected during the year and capital gain amounts to Rs.1.39 million as compared to Rs.7.62 million last year representing approximately 82% declined. The primary reason for this significant drop in revenue vis-à-vis fall in income was the closure of market during Aug-Dec 2008. During this period "KSE" remained closed for 110 days, with minimal activity taking place at the Exchange. This is first instant in the history, when stock market experienced such an unprecedented call. The lack of business activity compelled investors and institutes to shy away from the "Stock Exchange", which later resulted in liquidity crunch, which also engulfed small to medium sized commercial banks. The subsequent directive to value investments at "regulated prices", further deepened crisis for the sector and also for the economy.

Owing to the above, your Company had to book significant loss on investment, which has modified the sector in many ways.

A total Impairment loss of Rs.52.06 million related to Investments charged to Profit & Loss account during the period in a view to company and to sustain the liquidity pressures.

The Company has reduced total expenses to Rs.51.80 million as compared to last year amounting Rs.66.17 million representing 36% reduction in total expenses. Financial Charges from Rs. 13.67 Million to Rs. 9.67 Million primarily due to reduction in borrowing and fall in economic activity.

During the period Dawood Money Market Fund (DMMF) and First Dawood Mutual Fund (FDMF) remained victims of economic crunch. However, Dawood Islamic Fund (DIF) an open-end Shariah Compliant Islamic Asset Allocation Fund performed better than the above two and paid 5.2% dividend which is highest dividend in current economic scenario.

DIRECTORS' REPORT

Dividend

Based on the above the Board of Directors of the Company has decided not to distribute any dividend to the shareholders for the year as compared to 10% bonus last year.

Compliance with the Best Practices of the Code of Corporate Governance

This statement is being presented to comply with the "Code of Corporate Governance" (the "Code") contained in the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of the Code. The Directors hereby confirm the following as required by clause (xix) of the Code:

- The financial statements prepared by the management present fairly the Company's State of affairs, the result of operations, cash flows and changes in equity.
- Your Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements.
- Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulation), the NBFC Rules 2003 and directives of the Securities and Exchange Commission of Pakistan, have been followed in the preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts over the ability to continue as a going concern.
- There has been no trading during the year in the shares of the Company carried out by the Directors, Chief Executive Officer, Company Secretary and their spouses and their minor children.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding.
- There has been no departure from the best practices of transfer pricing.

Trading in shares of the Company

During the year, no trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses of minor children except as stated here under:

CEO/Director	Purchased	Bonus	Sale
Miss. Tara Uzra Dawood	160,500	-	-

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) assigned a rating of AM4+. This decline was primarily due to economic/financial turmoil, which affects all the sectors with greater impact on the financial/wealth management industry.

Overall Economic Scenario

Performance of the Pakistan economy

During the financial year 2009, Pakistan economy suffered from severe financial crisis, brought upon by record increase in commodity prices decrease in the values of equity, downward revision of debt instruments and capital flight. The government planned for fiscal consolidation initiated by elimination of subsidies, resulting in record inflation at 25.3% on a year to year basis. SBP's foreign exchange reserves reduced to US\$ 3 billion with outstanding

DIRECTORS' REPORT

massive import bills, with the currency depreciating almost 15% in first quarter of year 2009. Entry into the IMF program and the commodity price meltdown commencing in second quarter of financial year 2009 allowed the economy to regain stability. In to reverse capital flight and suppress inflation. SBP opted for monetary tightening, increasing the policy rate by the total 300bps. However, liquidity pressures compelled SBP to relax SLR & CRR. The current Account Deficit narrowed significantly amid stable currency and building-up reserves. In anticipation of lower inflationary expectation and subsequent policy rate cut, market yield began to decline substantially. Liquidity also improved and KIBOR came down from 15% to 12% at the end of financial year 2009. The fiscal spending has remained restricted with PSDP expenditure greatly underutilized. The real economic activity has been adversely affected with an initial estimate of only 2% of GDP growth. The large scale manufacturing decline by 8.24% during July 2008 to April 2009 as production fell across all major industries due to fall in domestic demand increase in inputs and exports. The agriculture sector showed strong performance with growth of 4.7% on the back of bumper wheat crop, while service sector recorded growth of 3.6%.

Prospects

The goal of your company is to focus on three strategies: building deeper, more profitable customer relationships; optimizing the use of shareholder and human capital & building on our core strengths.

Change in Directors

Since the last report, there have been changes in the composition of the Board of the company. Mr. Anwar A. Sheikh and Mr. Gul Nawaz (Nominee of NIT) have resigned during the year. AVM (Retd.) Syed Javed Raza and Mr. Jamal Nasim have been appointed as new director, respectively who are subject to SECP approval.

The Board would like to place on record its appreciation of the sincere efforts made by the retiring director and wish to welcome on Board the new elected director.

Currently, the Company has Seven Directors on its Board.

Board Meetings

During the year 2008-09 Seven (7) meetings of the Board of Directors of the company were held, the requisite details are as under:

S. No.	Name	Designation	Entitlement to Attend Meeting	Leave of absence
1.	Mr. Feroze Sayeed-ud-Deane	Chairman	7	1
2.	Miss Tara Uzra Dawood	Chief Executive	7	1
3.	AVM (Retd.) Zulfqar Shah	Director	7	-
4.	Mr. Ifukhar Hussain	Director	7	1
5.	Mr. Nazimuddin Feroz	Director	7	7
6.	Mr. Gul Nawaz	Director	5	2
7.	Mr. Jamal Nasim (Subject to SECP Approval)	Director	-	2
8.	Mr. Anwar A. Sheikh	Director	5	4
9.	AVM (Retd.) Syed Javed Raza (Subject to SECP Approval)	Director	-	2

Transaction with Connected Persons/Related Parties

All transactions between DCM and its connected persons/related parties are carried out on an arm's length basis and the relevant terms of the transactions are determined in accordance with the "comparable uncontrolled price method" (CUP).

DIRECTORS' REPORT

Human Resource Training and Development

Employees are an investment for the company. Hence, several significant initiatives have been taken during the year to improve upon the hiring including retention and work environment related issues, grooming of skills to match with the changing business needs, induction of qualified and experienced professionals. Training and Human Resource Development continues to be of prime importance in 2009-10.

In 2008-09, there has been a concerted effort to improve the quality and skills of our human resource through arrange a participation of employees in various seminar, workshops and training session organized by various professional bodies.

Information Technology

The IT department has been an integral department of the organization. A cutting-edge computerized environment and efficient utilization of information technology has been the hallmark of your company's policy.

The company continuously invests in technology to improve internal decision-making operational efficiencies and the quality of service to customers.

The IT function besides creating an efficient IT environment in the organization also keeps abreast with the latest trends in information technology. In addition, the company continues to implement initiatives to reduce the usage of paper through the utilization of information technology as part of the company's long tenure objective to strive towards a paperless environment.

Staff Retirement Benefits

DCM operates a provident fund scheme for all permanent employees. The value of investment to date is Rs. 4,139,217/- in the provident fund scheme.

Auditors

The present auditors M/s. Ford Rhodes Sidat Hyder & Co, Chartered Accountants, retire and being eligible offers themselves for re-appointment. As required under the Code of Corporate Governance the Audit Committee has recommended the re-appointment of M/s. Ford Rhodes Sidat Hyder & Co, Chartered Accountants, as auditors for the year ending June 30, 2010.

Risk Management

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

DCM and its Funds are exposed to a variety of risks including credit, liquidity, interest rate, market risk and operational risk.

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

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

- Board's Audit Committee
- Investment Committee

Statement of Ethics and Business Practices

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

Audit Committee

The Board of Directors of the Company in compliance with the Code of Corporate Governance has constituted an Audit Committee with specific terms of reference comprising the following three members including the Chairman, who is an independent non-executive director.

AVM (Retd.) Zulfiqar Ahmed Shah	Chairman
Mr. Iftikhar Hussain	Member
Vacant	(Under the process of appointment)

The Audit Committee reviewed the quarterly, half-yearly and annual financial statements before submission to the Board and their publication. The Audit Committee had detailed discussions with the external auditors. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditor as required under the Code of Corporate Governance.

Key Financial Highlights

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

Pattern of Shareholding

The pattern of shareholding as on June 30, 2009 along with disclosure as required under the Code is annexed.

Events after the Balance Sheet Date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements.

Acknowledgement

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

In closing, we reaffirm our commitment to our shareholders to further enhance the value of their investment in the Company.

For and on behalf of the Board,

Karachi
Date: September 15, 2009

Chairman



**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2009**

This Statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No.35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance. The 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 non-executive directors. Accordingly, the majority of the directors of the Board are non-executive.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurred in the Board and was filled up by the directors in accordance with prescribed requirements.
- 5) The Company has prepared a "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 the 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 determination of remuneration and terms and conditions of Chief Executive Officer have been taken by the Board.
- 8) The meetings of the Board were preside over by the Chairman. The Board met at least once in every quarter during the year. Written notices of the meetings of the Board of Directors, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Directors of the Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, NBFCs Rules, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and article of Associations and of their duties and responsibilities. Directors have also attended talks and seminars on the subject of Corporate Governance.
- 10) The Board of Directors of the Company has approved the appointment of the Company Secretary including his remuneration and terms and conditions of employment as determined by the Chief Executive Officer.
- 11) The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed 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 those disclosed in the pattern of shareholding.
- 14) The Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Company.
- 15) The Board has formed an Audit Committee. It comprises 3 members, where all the members are Non-Executive Directors including the chairmen of the committee.



-
- 16) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and annual results of the Company and as required by the Code. The terms of reference of the (AC) have been formed and advised to the (AC) for compliance.
 - 17) The Board has outsourced the Internal Audit function to M/s. Riaz Ahmed & Company, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function 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, 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 the Institute of Chartered Accountants of Pakistan.
 - 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 - 20) We confirm that all other material principles contained in the Code have been complied with.

**On Behalf of the Board of Directors
Dawood Capital Management Limited**

**Karachi
Date: September 15, 2009**

**Tara Uzra Dawood
Chief Executive Officer**



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



■ *Ford Rhodes Sidat Hyder & Co.*
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541
Karachi 75530, Pakistan

■ Phone: (92-21) 565 0007-11
Fax: (92-21) 568 1965
frsh.khi@pk.ey.com
Offices at Lahore & Islamabad
www.ey.com/pk

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Dawood Capital Management Limited (the Company) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. 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 19 January 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 June 2009.

Karachi
Date: September 15, 2009

Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS



■ *Ford Rhodes Sidat Hyder & Co.*
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541
Karachi 75530, Pakistan

■ Phone: (92-21) 565 0007-11
Fax: (92-21) 568 1965
frsh.khi@pk.ey.com
Offices at Lahore & Islamabad
www.ey.com/pk

We have audited the annexed balance sheet of **DAWOOD CAPITAL MANAGEMENT LIMITED** as at **30 June 2009** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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 account 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 account and are further in accordance with accounting policies applied ;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (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, 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 **30 June 2009** 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 (XVIII of 1980).

Karachi
Date: September 15, 2009

Chartered Accountants

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
Non-Current Assets			
Operating Fixed Assets	5	3,272,434	7,204,068
Long-Term Investments	6	143,038,213	172,729,058
Long-Term Receivables from Related Parties	7	2,115,000	2,615,000
Long-Term Loan	8	3,207,714	3,621,740
Long-Term Deposits		31,000	31,000
		<u>151,664,361</u>	<u>186,200,866</u>
Current Assets			
Investments - Available for Sale	9	32,039,802	267,778,622
Loans and Advances	10	1,839,466	30,165,933
Fund Placement - Unsecured		-	15,000,000
Prepayments, Interest Accrued and Other Receivables	11	172,800	619,834
Remuneration Due from Funds Under Management	12	1,731,960	5,562,286
Advance Tax - Net of Provision		8,565,298	6,243,090
Bank Balances	13	1,166,359	1,333,322
		<u>45,515,685</u>	<u>326,703,087</u>
		<u>197,180,046</u>	<u>512,903,953</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital			
20,000,000 Ordinary Shares of Rs.10/- Each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, Subscribed and Paid-Up Capital	14	149,737,500	136,125,000
Unrealised Surplus on Revaluation of Available for Sale			
Investments to Fair Value - Net	9	3,743,812	140,588,092
General Reserves		33,630,264	33,630,264
Unappropriated (Loss)/Profit		<u>(33,793,158)</u>	<u>82,349,194</u>
		<u>153,318,418</u>	<u>392,692,550</u>
Non-Current Liabilities			
Deferred Tax Liability - Net	15	55,000	227,000
Current Liabilities			
Short-Term Borrowings	16	24,560,044	100,000,000
Running Finance Under Mark-up Arrangement - Secured	17	6,902,808	7,088,289
Accrued and Other Liabilities	18	11,627,421	11,169,957
Accrued Mark-Up on Borrowings	19	716,355	1,726,157
		<u>43,806,628</u>	<u>119,984,403</u>
Contingency	20	<u>197,180,046</u>	<u>512,903,953</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chief Executive Officer

Director



DAWOOD

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009**

Annual Report 2009

	Note	2009 Rupees	2008 Rupees
INCOME			
Investment Income	21	6,261,905	16,485,502
Management Fee	22	28,471,281	67,701,271
		<u>34,733,186</u>	<u>84,186,773</u>
Impairment of Available for Sale Investments		(52,061,839)	-
		<u>(17,328,653)</u>	<u>84,186,773</u>
EXPENSES			
Administrative and Operating Expenses	23	42,134,453	52,497,190
Financial Charges	24	9,670,475	13,669,384
		<u>51,804,928</u>	<u>66,166,574</u>
		<u>(69,133,581)</u>	<u>18,020,199</u>
Other Operating Income	25	2,720,280	452,948
		<u>(66,413,301)</u>	<u>18,473,147</u>
Share of Associates' (Loss)/Profit	26	(35,776,881)	5,381,927
(LOSS)/PROFIT BEFORE TAXATION		<u>(102,190,182)</u>	<u>23,855,074</u>
Taxation			
- Current		-	3,740,731
- Prior		511,670	(134,002)
- Deferred		(172,000)	(81,000)
	27	<u>339,670</u>	<u>3,525,729</u>
NET (LOSS)/PROFIT FOR THE YEAR		<u>(102,529,852)</u>	<u>20,329,345</u>
(LOSS)/EARNINGS PER SHARE - Basic and Diluted	28	<u>(6.85)</u>	<u>1.36</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chief Executive Officer

Director



**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit Before Taxation	(102,190,182)	23,855,074
Adjustments For:		
Depreciation	1,522,366	1,421,247
(Gain)/Loss on Disposal of Operating Fixed Assets	(429,977)	6,464
Impairment on Available For Sale Investments	52,061,839	-
Financial Charges	9,670,475	13,669,384
Dividend Income	(803,099)	(5,409,694)
Return on TFCs/Fund Placement	(4,072,455)	(3,454,864)
Share of Associates' Loss/(Profit)	35,776,881	(5,381,927)
	<u>93,726,030</u>	<u>850,610</u>
Operating Cash Flows Before Working Capital Changes	(8,464,152)	24,705,684
Decrease/(Increase) in Current Assets		
Loans and Advances	28,326,467	(2,976,914)
Funds Placement	15,000,000	(15,000,000)
Prepayments, Interest Accrued and Other Receivables	(82,126)	97,256
Remuneration Due From Funds Under Management	3,830,326	16,147,070
	<u>47,074,667</u>	<u>(1,732,588)</u>
Increase in Accrued and Other Liabilities	457,464	4,760,422
Long-Term Receivables From Related Parties	500,000	1,409,388
Cash Flows From Operations	39,567,979	29,142,906
Income Taxes Paid	(2,833,878)	(8,383,919)
Financial Charges Paid	(10,680,277)	(12,546,008)
Net Cash Flow From Operating Activities	<u>26,053,824</u>	<u>8,212,979</u>
Cash Flows From Investing Activities		
Long Term Investments - Net	(6,086,036)	(10,875,476)
Proceeds From Disposal of Operating Fixed Assets	2,839,245	12,001
Investments - Available for Sale	46,832,701	(22,910,115)
Dividends Received	803,099	5,409,694
Return on TFCs/Fund Placement Received	4,601,615	3,501,065
Long Term Loans	414,026	(3,445,915)
Purchase of Fixed Assets	-	(4,857,070)
Net Cash Flow From/(Used In) Investing Activities	<u>49,404,650</u>	<u>(33,165,816)</u>

Chief Executive Officer

Director

	2009	2008
	Rupees	Rupees
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-Term Borrowings	(75,439,956)	24,003,216
Net Cash Flow (Used In)/From Financing Activities	<u>(75,439,956)</u>	<u>24,003,216</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	18,518	(949,621)
Cash and Cash Equivalents at the Beginning of the Year	(5,754,967)	(4,805,346)
Cash and Cash Equivalents at the End of the Year	<u><u>(5,736,449)</u></u>	<u><u>(5,754,967)</u></u>
Components of Cash and Cash Equivalents		
Bank Balances	1,166,359	1,333,322
Running Finance Under Mark-Up Arrangement - Secured	<u>(6,902,808)</u>	<u>(7,088,289)</u>
	<u><u>(5,736,449)</u></u>	<u><u>(5,754,967)</u></u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chief Executive Officer

Director



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009**

	Issued, Subscribed & Paid-Up Capital	Statutory Reserve	General Reserve	Surplus on Revaluation of Available for Sale Investments	Unappropriated Profit/(Loss)	Total
	Rupees					
Balance as at July 01, 2007	121,000,000	10,630,264	23,000,000	27,283,835	77,144,849	259,058,948
Profit for the Year	-	-	-	-	20,329,345	20,329,345
Transfer to General Reserve	-	(10,630,264)	10,630,264	-	-	-
Issue of Bonus Shares	15,125,000	-	-	-	(15,125,000)	-
Surplus on Revaluation of Securities - Net	-	-	-	113,304,257	-	113,304,257
Balance as at June 30, 2008	136,125,000	-	33,630,264	140,588,092	82,349,194	392,692,550
Balance as at July 01, 2008	136,125,000	-	33,630,264	140,588,092	82,349,194	392,692,550
Loss for the Year	-	-	-	-	(102,529,852)	(102,529,852)
Issue of Bonus Shares	13,612,500	-	-	-	(13,612,500)	-
Deficit on Revaluation of Securities - Net	-	-	-	(136,844,280)	-	(136,844,280)
Balance as at June 30, 2009	149,737,500	-	33,630,264	3,743,812	(33,793,158)	153,318,418

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chief Executive Officer

Director



DAWOOD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1. COMPANY AND ITS OPERATIONS

Dawood Capital Management Limited (the Company) was incorporated on September 18, 1990 as a public limited company in Pakistan, with its registered office at 1500-A, Saima Trade Tower, I.I.Chundrigar Road, Karachi. The company is listed on the Karachi Stock Exchange.

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

The Company has floated the following open end funds;
- Dawood Money Market Fund
- Dawood Islamic Fund

The Company has also floated a closed end fund, "First Dawood Mutual Fund".

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards / International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirement of these standards, the requirements of the Companies Ordinance, 1984 or the requirement of the said directives take precedence.

2.2 Adoption of New Accounting Standards

During the year, the Company has adopted IFRS 7 "Financial Instruments – Disclosures", which resulted in certain additional disclosures relating to financial instruments in these financial statements. Further, interpretations of accounting standards, namely IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programs" and IFRIC 14 "IAS 19 – The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interactions" also became effective during the year. However, these interpretations do not affect the Company's financial statements.

3. Accounting Standards and Interpretations Not Yet Effective

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

Standard or Interpretation	Effective Date (Accounting Periods Beginning on or After)
IAS 1 - Presentation of Financial Statements (Revised)	01 January 2009
IAS 23 - Borrowings Costs (Revised)	01 January 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	01 January 2009
IAS 32 - Financial Instruments: Amendments	01 January 2009
IAS 39 - Financial Instruments: Recognition and Measurement (Amended)	01 January 2009
IFRS 2 - Share-Based Payment- Amended	01 January 2009
IFRS 3 - Business Combinations (Revised)	01 July 2009
IFRS 8 - Operating Segments	01 January 2009
IFRIC 15 - Agreements for the Construction of Real Estate	01 July 2009
IFRIC 16 - Hedges of a Net Investment in Foreign Operation	01 October 2008
IFRIC 17 - Distribution of Non-Cash Assets to Owners	01 July 2009
IFRIC 18 - Transfer of Assets from Customers	01 July 2009

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and/or enhancements in the presentation and disclosures in the financial statements resulting from the application of IAS 1. The revised IAS 1 was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include inly details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

In addition to the above, amendments and improvements to the various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after 1 January 2009. The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical Accounting Estimates And Judgments

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

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

- a) Recognition of taxation and deferred tax (Note 4.20, 15 and 27);
- b) Determining the useful lives of operating fixed assets (Note 4.2 and 5);
- c) Classification of investments (Note 4.4, 6 and 9); and
- d) Impairment of financial assets (Note 4.3)

4.2 Operating Fixed Assets

Owned

These are stated at cost less accumulated depreciation and any impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 5 to the financial statements.

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

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

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

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

Gains and losses on disposals, if any, of assets are included in income currently.

Leased

Asset subject to finance lease is accounted for by recording the asset at the lower of present value of minimum

lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

4.3 Impairment

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

4.4 Investments

All investments are initially recognised at fair value plus in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

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

Fair value of investments is determined as follows:

Investments at Fair Value Through Profit or Loss

These include held for trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and the gains or losses on revaluation are recognised in the income statement in the period in which they arise.

Held to Maturity

Investments which are not classified in any of the preceding categories are classified as available for sale investments. After initial measurement, such investment are carried at amortised cost less any provision for impairment except for in case of debt securities (listed but not regularly traded on a stock exchange) and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

Available for Sale

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

Fair values of investments are determined as follows:

Listed Shares

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

Mutual Funds' Units

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

Debt Securities

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

Government Securities

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

4.5 Trade Date Accounting

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

4.6 Investment in Associates

The Company's investment in associates is accounted for under the equity method.

4.7 Securities Under Repurchase/Resale Agreements

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

4.8 Financial Instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.9 Offsetting of Financial Assets and Financial Liabilities

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

4.10 Employee Retirement Benefits-Defined Contribution Plan

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

4.11 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalent consist of bank balances and running finances under mark-up arrangements.

4.12 Trade Debts and Other Receivables

These are stated at original invoice amount less an estimate for doubtful balance. Provision is made against impaired debts based on management's assessment regarding their recoverability.

4.13 Borrowing/Debt

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

4.14 Trade and Other Payables

Short term liabilities for trade and other amounts payables are recognized initially at fair value and subsequently carried at amortized cost.

4.15 Proposed Dividend and the Transfer Between Reserves

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

4.16 Foreign Currency Transactions

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

4.17 Revenue Recognition

- a) Dividend income is recognized at the time when right to receive dividend is established.
- b) Capital gain or loss on sale of investments is taken into income in the period in which they arise.
- c) Management fees and profit on bank deposits are recognized on accrual basis.
- d) Placements and investments in debt securities are recognised at a rate of return implicit in the instrument/arrangement on a time proportion basis.

4.18 Provision

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

4.19 Taxation

Current

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all significant temporary differences at the balance sheet date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that the taxable profits will be available against which these can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized.

4.20 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

5. OPERATING FIXED ASSETS

5.1 The Following is a Statement of Operating Fixed Assets:

	Cost		2009 Accumulated depreciation					Book Value as at June 30, 2009	Rate %
	As at July 01, 2008	Addition/ (Deletion)	As at June 30, 2009	As at July 01, 2008	Charge for the Year	Disposal/ (Deletion) During the Year	As at June 30, 2009		
	Rupees								
OWNED									
Furniture and Fittings	1,095,131	(333,944)	761,187	702,019	76,143	(333,944)	444,218	316,969	10
Vehicles	7,763,170	(2,851,395)	4,911,775	1,506,384	1,160,905	(442,127)	2,225,162	2,686,613	20
Office Equipment	434,885	(352,635)	82,250	367,713	16,451	(352,635)	31,529	50,721	20
Computer Equipment	1,811,154	(764,314)	1,046,840	1,324,156	268,867	(764,314)	828,709	218,131	33
	11,104,340	(4,302,288)	6,802,052	3,900,272	1,522,366	(1,893,020)	3,529,618	3,272,434	

	Cost		2008 Accumulated depreciation					Book Value as at June 30, 2008	Rate %
	As at July 01, 2007	Addition/ (Deletion)	As at June 30, 2008	As at July 01, 2007	Charge for the Year	Disposal/ (Deletion) During the Year	As at June 30, 2008		
	Rupees								
OWNED									
Furniture and Fittings	1,095,131	-	1,095,131	625,924	76,095	-	702,019	393,112	10
Vehicles	4,218,240	4,452,230 (907,300)	7,763,170	1,396,332	998,887	- (888,835)	1,506,384	6,256,786	20
Office Equipment	352,635	82,250	434,885	352,635	15,078	-	367,713	67,172	20
Computer Equipment	1,488,564	322,590	1,811,154	992,969	331,187	-	1,324,156	486,998	33
	7,154,570	4,857,070 (907,300)	11,104,340	3,367,860	1,421,247	(888,835)	3,900,272	7,204,068	

5.2 Disposal of Fixed Assets

Description	2009					Mode of Disposal	Particulars of Buyer
	Original Cost	Accumulated Depreciation	Book Value	Sale Proceed			
	Rupees						
Vehicle	1,812,920	181,292	1,631,628	1,812,920	Negotiation	Arif Habib Investment Management Limited.	
Vehicle	979,975	228,660	751,315	1,000,000	Negotiation	Mr. Karim Ibrahim H. No. D-70 Block 9 Clifton	
Vehicle	58,500	32,175	26,325	26,325	Company policy	Mr. Muhammad Hanif (employee)	
	2,851,395	442,127	2,409,268	2,839,245			

5.3 The cost of fully depreciated operating fixed assets amounts to Rs. 853,600 (2008: Rs. 1,450,893).

	Note	2009 Rupees	2008 Rupees
6. LONG TERM INVESTMENTS			
Investment in Associates			
Quoted			
First Dawood Mutual Fund (Closed-End Fund) - An Associate (Using Equity Method)			
8,792,925 (2008: 8,792,925) fully paid Ordinary Certificates of Rs.10/- Each Representing 15.14% (2008: 15.14%) Holding	6.1	78,872,537	114,237,914
Dawood Money Market Fund (Open-End Fund) - An Associate (Using Equity Method)			
144,883 (2008:300,722) Units of Rs.100/- Each Representing 1.34% (2008: 0.94%) Holding	6.2	11,740,336	33,290,804
Others			
Unlisted Companies (Available for Sale)			
Sapphire Power Generation Limited			
50,000 (2008: 50,000) Fully Paid Ordinary Shares of Rs.35/- Each	6.3	1,750,000	1,750,000
Dawood Islamic Bank Limited - a Related Party			
2,345,034 (2008: 2,345,034) Fully Paid Ordinary Shares of Rs.10/- Each	6.4	23,450,340	23,450,340
Dawood Family Takaful Limited			
2,722,500 (June 2008: Nil) Fully Paid Ordinary Shares of Rs.10/-	6.5	27,225,000	-
		<u>143,038,213</u>	<u>172,729,058</u>

6.1 The fair value of investment in First Dawood Mutual Fund (the Fund) as at June 30, 2009 amounts to Rs. 17,585,850 (2008: Rs. 62,781,485). NBFC Rules requires an investment advisor to hold 10 - 20 % of the paid-up value of its closed-end funds under management. This investment has been made to comply with the said rule. The abridged financial information of the Fund based on audited financial statements as at June 30, 2009 is as follows:

Associate's Statement of Assets and Liabilities

Total Assets	525,099,321	759,056,835
Total Liabilities	4,114,921	6,589,553
Net Assets	<u>520,984,400</u>	<u>752,467,282</u>
Share of Company's Net Assets	<u>78,872,537</u>	<u>111,237,914</u>

Associate's Income Statement

Total (Loss)/Profit	(198,914,556)	67,386,441
Net (Loss)/Profit	(219,867,882)	35,547,736

The Fund has been classified as an associate in spite of the fact that the Company holds less than 20 percent in the Fund for the reason that the Company is also an investment advisor of the fund by virtue of which it participates in the financial and operating policies of the Fund and hence has significant influence over its investee.

- 6.2 The net asset value of investment in Dawood Money Market Fund (the Fund) as at June 30, 2009 amounts to Rs. 11,740,336 (2008: Rs. 33,290,804). The abridged financial information of the Fund based on audited financial statements as at June 30, 2009 is as follows:

	2009 Rupees	2008 Rupees
Associate's Statement of Assets and Liabilities		
Total Assets	890,050,087	3,651,171,169
Total Liabilities	16,662,670	111,178,153
Net Assets	<u>873,387,417</u>	<u>3,539,993,016</u>
Associate's Income Statement		
Total Income	150,933,628	387,665,460
Net (Loss)/Profit	(187,496,037)	329,232,464

The Fund has been classified as an associate in spite of the fact that the Company holds less than 20 percent in the Fund for the reason that the Company is also the management company of the fund by virtue of which it participates in the financial and operating policies of the Fund and hence has significant influence over its investee.

- 6.3 The net asset value of Company's investment in Sapphire Power Generation Limited based on un-audited financial statements as at June 30, 2009 amounts to Rs.3.312 million (2008: Rs.1.682 million). The Chief Executive of the Company is Mr. Shahid Abdullah.
- 6.4 The net asset value of Company's investment in Dawood Islamic Bank Limited based on audited financial statements as at December 31, 2008 amounts to Rs.23.878 million (2007: Rs.23.865 million). The Chief Executive of the bank is Mr. Nikolaus Schwarz. This investment represents sponsor equity in the bank and shall not be sold without the prior consent of the State Bank of Pakistan.
- 6.5 The net asset value of Company's investment in Dawood Family Takaful Limited based on audited financial statements as at December 31, 2008 amounts to Rs. 26.895 million (2007: Rs.Nil). The Chief Executive of the Company is Mr. Abdul Halim Nasri.

7. LONG TERM RECEIVABLES FROM RELATED PARTIES -UNSECURED-CONSIDERED GOOD

From Associates:		
First Dawood Mutual Fund	1,000,000	2,000,000
Dawood Islamic Fund	1,500,000	2,000,000
	2,500,000	4,000,000
Less: Receivable within One Year		
First Dawood Mutual Fund	(1,000,000)	(1,000,000)
Dawood Islamic Fund	(500,000)	(500,000)
	(1,500,000)	(1,500,000)
Others:		
Dawood Stock Fund	1,115,000	115,000
	<u>2,115,000</u>	<u>2,615,000</u>

- 7.1 These represent formation costs incurred by the Company in connection with the floatation of open and close end funds which are recoverable in equal installments from the respective funds over a period of five years.

8. LONG-TERM LOAN

Related Party - Unsecured, Considered Good	8.1	3,547,180	4,045,947
Less: Receivable Within One Year		(339,466)	(424,207)
		<u>3,207,714</u>	<u>3,621,740</u>

	2009 Rupees	2008 Rupees
8.1 Represents loan to an executive as per details below:		
Opening Balance	4,045,947	265,676
Disbursement	-	4,000,000
Repayments	<u>(498,767)</u>	<u>(219,729)</u>
Closing Balance	<u>3,547,180</u>	<u>4,045,947</u>

These loans have been provided to facilitate construction/renovation of residential accommodation as per Company policy and is repayable over a period ranging between 5 years and 10 years with the mark up rate ranging between 5% and 12% per annum.

The maximum aggregate amount outstanding at the end of any month during the year was Rs.3,547,180 (2008: Rs. 4,214,574).

9. INVESTMENTS - AVAILABLE FOR SALE

		2009		2008	
		Cost	Fair Value	Cost	Fair Value
		Rupees			
Units of Open-End Mutual Funds	9.2	884,821	4,677,063	1,205,000	7,403,273
Listed Shares and Close-End Funds	9.3	79,188,122	27,126,283	97,698,197	232,087,872
Term Finance Certificates - Listed	9.4	284,886	236,456	3,287,333	3,287,477
Application Money for Subscription of Term Finance Certificates	9.5	-	-	25,000,000	25,000,000
		<u>80,357,829</u>	<u>32,039,802</u>	<u>127,190,530</u>	<u>267,778,622</u>
Surplus on Revaluation of Investments		3,743,812	-	140,588,092	-
Impairment of Available for Sale Investments		<u>(52,061,839)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>32,039,802</u>	<u>32,039,802</u>	<u>267,778,622</u>	<u>267,778,622</u>

9.1 Available for Sale Investments

Related Parties	29,663,908	7,314,708	29,663,908	151,514,358
Others	<u>50,693,921</u>	<u>24,725,094</u>	<u>97,526,622</u>	<u>116,264,264</u>
	<u>80,357,829</u>	<u>32,039,802</u>	<u>127,190,530</u>	<u>267,778,622</u>

9.2 Units of Open End Mutual Funds

No. of Units		Name of Mutual Funds					
2009	2008			Cost	Fair Value	Cost	Fair Value
98,340	87,975	Pakistan Stock Market Fund	9.2.1	884,821	4,677,063	1,000,000	7,174,370
-	793	Pakistan Capital Market Fund		-	-	5,000	8,606
-	4,286	Alfalah GHP Income Multiplier Fund		-	-	200,000	220,297
				<u>884,821</u>	<u>4,677,063</u>	<u>1,205,000</u>	<u>7,403,273</u>

9.2.1 98,340 units are pledged with a commercial bank against running finance under markup arrangement.

9.3 Listed Shares and Close-End Funds

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

No. of Units		Name of Companies/Mutual Funds	2009		2008		
2009	2008		Cost	Fair Value	Cost	Fair Value	
Mutual Funds							
1,020,525	1,020,525	Atlas Fund of Funds	9.3.1	9,524,214	3,061,575	9,524,214	9,092,878
1,000,000	1,000,000	NAMCO Balanced Fund	9.3.1	10,000,000	4,720,000	10,000,000	9,310,000
-	53,000	Pakistan Strategic Allocation Fund		-	-	530,000	488,130
-	970,000	WE Balanced Fund		-	-	9,700,000	9,506,000
Investment Bank							
2,382,641	2,166,038	First Dawood Investment Bank Limited - Related Party	9.3.2	29,663,908	7,314,708	29,663,908	151,514,358
1,500,000	1,500,000	Dawood Equities Limited		15,000,000	5,685,000	15,000,000	26,625,000
Commercial Bank							
-	500	Arif Habib Bank Limited		-	-	10,500	9,590
-	110	Habib Bank Limited		-	-	23,500	22,949
Insurance							
-	128,153	American Life Insurance Company Limited		-	-	3,769,683	6,279,497
Textile Composite							
1,500,000	1,500,000	Chenab Limited (Preference shares)	9.3.1	15,000,000	6,345,000	15,000,000	12,255,000
Cement							
-	209	Pioneer Cement Limited		-	-	2,942	5,888
Chemicals							
-	248,525	Engro Polymer Chemical Ltd. - PRO		-	-	4,473,450	6,978,582
				<u>79,188,122</u>	<u>27,126,283</u>	<u>97,698,197</u>	<u>232,087,872</u>

9.3.1 These shares/certificates are pledged with a commercial bank against running finance under mark-up arrangement.

9.3.2 As per SECP Circular 09 of 2006, 2,382,641 (2008: 1,361,613) shares of First Dawood Investment Bank Limited are held in a blocked account with CDC. The Company can only dispose these shares with the prior approval from the SECP.

9.4 Term Finance Certificates - Listed

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

No. of Certificate		Period of Redemption	Terms of Redemption	Rate %	2009		2008		
2009	2008				Cost	Fair Value	Cost	Fair Value	
57	57	Pace Pakistan Limited	2008-2013	Semi Annually	KIBOR + 3.00%	284,886	236,456	287,333	288,677
-	600	Al-Zamin Leasing Corporation Limited	2002-2010	Semi Annually	SBP discount rate + 2.00%	-	-	3,000,000	2,998,800
						<u>284,886</u>	<u>236,456</u>	<u>3,287,333</u>	<u>3,287,477</u>

	Note	2009 Rupees	2008 Rupees
9.5 Application Money For Subscription of Term Finance Certificates			
Trust Investment Bank Limited		-	25,000,000
10. LOANS AND ADVANCES - UNSECURED			
Considered Good			
Current Portion of Long Term Receivables From Related Parties	7	1,500,000	1,500,000
Current Portion of Long-Term Loan	8	339,466	424,207
Advance to Employees		-	1,241,726
Advance Against Subscription for Shares		-	27,000,000
		<u>1,839,466</u>	<u>30,165,933</u>
11. PREPAYMENTS, INTEREST ACCRUED AND OTHER RECEIVABLES - CONSIDERED GOOD, UNSECURED			
Prepayments		100,267	-
Accrued Mark-Up on Investments		16,874	546,034
Accrued Mark-Up on Bank Deposits		46,939	-
Others		8,720	73,800
		<u>172,800</u>	<u>619,834</u>
12. REMUNERATION DUE FROM FUNDS UNDER MANAGEMENT			
Open-End Fund			
Dawood Money Market Fund		-	3,148,187
Dawood Islamic Fund		443,204	584,444
		443,204	3,732,631
Closed-End Fund			
First Dawood Mutual Fund		1,288,756	1,829,655
		<u>1,731,960</u>	<u>5,562,286</u>
13. BANK BALANCES			
Cash at Bank:			
Current Accounts		131,303	131,303
Saving Accounts	13.1	1,035,056	1,202,019
		<u>1,166,359</u>	<u>1,333,322</u>

13.1 These carry mark-up ranging between 4% and 6.5% (2008: 4% and 4.5%) per annum.

14. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

No. of Shares				
2009	2008			
10,000,000	10,000,000	Ordinary shares of Rs.10/- Each Issued as Fully Paid in cash	100,000,000	100,000,000
4,973,750	3,612,500	Ordinary Shares of Rs. 10/- Each Issued as Fully Paid Bonus Shares	49,737,500	36,125,000
<u>14,973,750</u>	<u>13,612,500</u>		<u>149,737,500</u>	<u>136,125,000</u>

	2009	2008
	No. of Shares	
14.1 Reconciliation of Number of Ordinary Shares of Rs. 10 each:		
At the Beginning of the Year	13,612,500	12,100,000
Add: Issued as Bonus Shares During the Year	<u>1,361,250</u>	<u>1,512,500</u>
At the End of the Year	<u>14,973,750</u>	<u>13,612,500</u>
14.2 The Shares Held by Related Parties are as Follows:		
First Dawood Investment Bank Limited	4,492,125	4,083,750
BRR Guardian Modaraba	<u>1,935,505</u>	<u>1,759,551</u>
	<u>6,427,630</u>	<u>5,843,301</u>
	2009	2008
	Rupees	Rupees
15. DEFERRED TAX LIABILITY - NET		
Taxable Temporary Differences on:		
Accelerated Tax Depreciation	<u>55,000</u>	<u>227,000</u>
16. SHORT TERM BORROWINGS		
From:		
Other Financial Institution - Unsecured	-	50,000,000
Related Party - Unsecured	<u>24,560,044</u>	<u>50,000,000</u>
	<u>24,560,044</u>	<u>100,000,000</u>
16.1 This represents short term borrowing from a related party which carries markup ranging between 11 to 18.5 (2008: 11 to 17) percent per annum. The facility will mature on November 16, 2009.		
17. RUNNING FINANCE UNDER MARKUP ARRANGEMENT - SECURED		
This represents approved running finance facility of Rs.8 million (2008: Rs.8 million) obtained from a commercial bank and is repayable on demand. The facility is secured by pledge of listed shares and units of mutual fund. The facility is subject to mark-up at the rate of 14.77 (2008: 12.70) percent per annum.		
18. ACCRUED AND OTHER LIABILITIES		
Accrued Expenses	8,967,167	6,701,989
Unclaimed Dividend	1,029,504	1,029,504
Bonus to Employees	1,630,750	1,588,000
Other Liabilities	<u>-</u>	<u>1,850,464</u>
	<u>11,627,421</u>	<u>11,169,957</u>
18.1 The above includes payable to related parties Rs. 3,923,741 (2008: Rs. 1,175,000).		
19. ACCRUED MARKUP ON BORROWINGS		
Accrued Mark-Up on:		
Short-Term Borrowings	464,287	1,511,534
Running Finance Under Mark-Up Arrangement	<u>252,068</u>	<u>214,623</u>
	<u>716,355</u>	<u>1,726,157</u>

20. CONTINGENCY

The Additional Commissioner of Income Tax (ACIT) has amended the assessment order for the tax year 2003 and 2004, under section 122(5A) of the Income Tax Ordinance 2001, resulting in an additional tax of Rs. 573,426. The Company has filed appeals with the Commissioner of Income Tax Appeals-II (CIT). The said appeals are pending for hearing. The Company is confident that the appeal will be decided in favour of the Company and therefore no provision in this respect has been made in these financial statements.

	2009	2008
	Rupees	Rupees
21. INVESTMENT INCOME		
Equity Investments		
Gain on Sale of Investments	1,386,351	7,620,944
Dividend Income	<u>803,099</u>	<u>5,409,694</u>
	2,189,450	13,030,638
Other investments		
Return on Fund Placement	<u>13,973</u>	<u>6,986</u>
Return on Term Finance Certificates	<u>4,058,482</u>	<u>3,447,878</u>
	4,072,455	3,454,864
	<u>6,261,905</u>	<u>16,485,502</u>

22. MANAGEMENT FEE

Open-End Funds		
Dawood Money Market Fund - An Associate	<u>5,271,599</u>	<u>37,128,728</u>
Dawood Islamic Fund - An Associate	<u>5,810,797</u>	<u>6,459,972</u>
	11,082,396	43,588,700
Closed-End Funds		
First Dawood Mutual Fund - An Associate	<u>17,388,885</u>	<u>24,112,571</u>
	<u>28,471,281</u>	<u>67,701,271</u>

22.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the management company/investment advisor of the fund is entitled to a remuneration during the first five years of the fund, of an amount not exceeding the three percent of the average net assets of the fund and thereafter of an amount equal to two percent of such assets of the fund. During the year ended June 30, 2009 the company has charged the management fee at the rates ranging from 1 to 3 percent (2008: 1 to 3 percent). However, the Board in its meeting held on 24 December 2008 agreed to waive management fee of Dawood Money Market Fund for the period from September 2008 to June 2009. The rates charged to each fund during the period ended June 30, 2009 and 2008 are as under:

	2009	2008
	Rumuneration For Services Rendered as an Asset Management Company Percentage	
	-----	-----
Open End Funds		
Dawood Money Market Fund - An Associate	1	1
Dawood Islamic Fund - An Associate	1.5	1.5
Closed End Fund		
First Dawood Mutual Fund - An Associate	3	3

	Note	2009 Rupees	2008 Rupees
23. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and Allowances	23.1 & 23.2	20,187,397	19,595,427
Rent, Rates and Taxes		1,141,716	1,044,744
Postage and Telephones		654,094	270,609
Legal and Professional Charges		3,126,942	10,389,708
Consultancy Fee		6,057,576	304,309
Printing and Stationery		361,391	1,599,701
Travelling and Conveyance		411,934	807,489
Vehicles Running		1,227,327	1,405,694
Advertisement		359,808	5,541,463
Electricity		375,573	1,422,429
Repairs and Maintenance		757,150	877,092
Auditors' Remuneration	23.3	393,000	285,000
Entertainment		615,580	212,760
Insurance		451,669	230,831
Depreciation		1,522,366	1,421,247
Newspapers, Magazines and Subscriptions		1,142,261	1,649,381
Directors' Fee		23,000	37,000
Brokerage and Commission		3,107,774	4,556,925
Donation	23.4	786	350,786
Others		217,109	494,595
		<u>42,134,453</u>	<u>52,497,190</u>

23.1 This includes Rs. 685,108/- (2008: Rs. 817,818/-) representing contributions to staff retirement benefits.

23.2 Remuneration of Chief Executive, Director and Executives

	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial Remuneration	3,200,000	-	2,136,000	3,200,000	-	4,984,932
House Rent	1,280,000	-	854,400	1,280,000	-	1,993,973
Bonus	800,000	-	-	800,000	-	512,500
Medical	4,106	-	24,000	2,673	-	48,000
Utilities	320,000	-	213,600	320,000	-	498,493
Provident Fund	320,004	-	159,996	320,004	-	343,561
E.O.B.I	-	-	4,320	-	-	8694
Meeting Fee	-	23,000	-	-	37,000	-
	<u>5,924,110</u>	<u>23,000</u>	<u>3,392,316</u>	<u>5,922,677</u>	<u>37,000</u>	<u>8,390,153</u>
Number of persons	<u>1</u>	<u>6</u>	<u>2</u>	<u>1</u>	<u>6</u>	<u>4</u>

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

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

	Note	2009 Rupees	2008 Rupees
23.3 Auditors' Remuneration			
Audit Fee		200,000	150,000
Certification Fee		30,000	45,000
Fee For Half-Yearly Review		120,000	60,000
Out of Pocket Expenses		43,000	30,000
		<u>393,000</u>	<u>285,000</u>
23.4 No director or his/her spouse had any interest in the donee.			
24. FINANCIAL CHARGES			
Mark-up on Short-Term Running Finance		986,158	518,284
Mark-Up on Short-Term Borrowings	24.1	8,668,177	13,136,986
Bank Charges		16,140	14,114
		<u>9,670,475</u>	<u>13,669,384</u>
24.1 Include mark up to related parties of Rs. 7,468,930/- (2008: Rs. 4,008,356/-).			
25. OTHER OPERATING INCOME			
Underwriting Commission		-	266,265
Gain/(Loss) on Disposal of Operating Fixed Assets		429,977	(6,464)
Mark-Up Earned on Savings Accounts		240,769	72,425
Mark-Up Earned on Long-Term Loan		199,070	109,341
Liability No Longer Payable Written Back		1,850,464	11,381
		<u>2,720,280</u>	<u>452,948</u>
26. SHARE OF ASSOCIATES' (LOSS)/PROFIT			
Dawood Money Market Fund		(2,170,089)	-
First Dawood Mutual Fund		(33,606,792)	5,381,927
		<u>(35,776,881)</u>	<u>5,381,927</u>
27. TAXATION			
Numerical reconciliation between the average effective tax rate and the applicable tax rate has not been presented in these financial statements due to taxable loss during the year.			
28. (LOSS)/EARNINGS PER SHARE			
- Basic and Diluted			
(Loss)/Profit for the Year		<u>(102,529,852)</u>	<u>20,329,345</u>
		----- No of Shares -----	
Weighted Average Number of Ordinary Shares		<u>14,973,750</u>	<u>14,973,750</u>
		----- Rupees -----	
(Loss)/Earnings Per Share - Basic and Diluted		<u>(6.85)</u>	<u>1.36</u>

29. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of Transactions	2009	2008
		Rupees	Rupees
Mutual Funds Managed By the Company	Management Fee	28,471,281	67,701,271
	Redemption of Units	42,991,497	307,257,498
	Bonus Units	3,082,401	1,964,910
	Investment In Units	23,068,316	314,128,981
	Recovery of Formation Costs	1,500,000	1,000,000
	Payment of Formation Costs	1,000,000	90,612
Major Shareholders	Share of Common Expenses	1,674,088	1,719,228
	Interest on Term Finance Certificates	-	537,469
	Redemption of Term Finance Certificates	-	8,775,000
	Funds Borrowed	15,000,000	82,000,000
	Repayment of Borrowings	40,439,956	42,000,000
	Payment of Financial Charges on Borrowings	3,323,617	2,101,370
Others	Share of Common Expenses	7,146,012	6,702,439
	Purchase of Shares	225,000	6,450,340
	Consultancy Fee Paid	246,100	-

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

30. FINANCIAL RISK MANAGEMENT POLICIES

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

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

30.1 Market Risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

30.1.1 Currency Risk

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

30.1.2 Interest Rate Risk

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

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

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

	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
	Rupees			
As at June 30, 2009				
Long-Term Investments	-	-	143,038,213	143,038,213
Long-Term Receivables From Related Parties	-	-	2,115,000	2,115,000
Long-Term Loan	-	3,547,180	-	3,547,180
Long-Term Deposits	-	-	31,000	31,000
Term Finance Certificate	236,456	-	-	236,456
Units of Open-End Mutuals Funds	-	-	4,677,063	4,677,063
Listed Shares and Close-End Funds	-	-	27,126,283	27,126,283
Loans and Advances	-	-	1,839,466	1,839,466
Interest Accrued and Other Receivables	-	-	172,800	172,800
Remuneration Due From Funds Under Management	-	-	1,731,960	1,731,960
Bank Balances	-	1,166,359	-	1,166,359
	<u>236,456</u>	<u>4,713,539</u>	<u>180,731,785</u>	<u>185,681,780</u>
As at June 30, 2008				
Long-Term Investments	-	-	172,729,058	172,729,058
Long-Term Receivables From Related Parties	-	-	2,615,000	2,615,000
Long-Term Loan	-	4,045,947	-	4,045,947
Long-Term Deposits	-	-	31,000	31,000
Term Finance Certificate	28,287,477	-	-	28,287,477
Units of Open-end Mutuals Funds	-	-	7,403,273	7,403,273
Listed Shares and Close-end Funds	-	-	232,087,872	232,087,872
Loans and Advances	-	-	30,165,933	30,165,933
Fund Placement	-	15,000,000	-	15,000,000
Interest Accrued and Other Receivables	-	-	619,834	619,834
Remuneration Due From Funds Under Management	-	-	5,562,286	5,562,286
Bank Balances	-	1,333,322	-	1,333,322
	<u>28,287,477</u>	<u>20,379,269</u>	<u>451,214,256</u>	<u>499,881,002</u>

If the interest rate would have been higher or lower by 50 basis points and all the other variable remains constant, the Company's profit would have been higher/(lower) by Rs.123,258 for the year ended June 30, 2009. This is attributable to the Company's exposure to interest rates on its floating rate securities.

Management is of the view that the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives.

30.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices of securities (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.

30.2 Credit Risk

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

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

The maximum exposure to credit risk as at June 30, 2009 is as follows: -

	June 30, 2009		June 30, 2008	
	Statement of Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
	Rupees			
Long-Term Investments	143,038,213	143,038,213	172,729,058	172,729,058
Long-Term Receivables From Related Parties	2,115,000	2,115,000	2,615,000	2,615,000
Long-Term Loan	3,207,714	3,207,714	3,621,740	3,621,740
Long-Term Deposits	31,000	31,000	31,000	31,000
Investments - Available For Sale	32,039,802	31,803,346	267,778,622	239,491,145
Loans and Advances	1,839,466	1,839,466	30,165,933	30,165,933
Fund Placement	-	-	15,000,000	15,000,000
Interest Accrued and Other Receivables	172,800	172,800	619,834	619,834
Remuneration Due From Funds Under Management	1,731,960	1,731,960	5,562,286	5,562,286
Bank Balances	1,166,359	1,166,359	1,333,322	1,333,322
	<u>185,342,314</u>	<u>185,105,858</u>	<u>499,456,795</u>	<u>471,169,318</u>

Following financial assets are secured by collateral or other credit enhancements: -

	2009 Rupees	2008 Rupees
Term Finance Certificates	<u>236,456</u>	<u>28,287,477</u>
	<u>236,456</u>	<u>28,287,477</u>

30.3 Liquidity Risk

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

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

	Not Later Than One Month	Upto Three Months	More Than Three Months And Upto One Year	More Than One Year	Total
	Rupees				
As at June 30, 2009					
Short-Term Borrowings	-	-	24,560,044	-	24,560,044
Running Finance Under Mark-Up Arrangement	-	-	6,902,808	-	6,902,808
Accrued and Other Liabilities	186,233	-	11,391,188	-	11,577,421
Accrued Mark-Up on Borrowings	252,068	-	464,286	-	716,354
	<u>438,301</u>	<u>-</u>	<u>43,318,326</u>	<u>-</u>	<u>43,756,627</u>

	Not Later Than One Month	Upto Three Months	More Than Three Months And Upto One Year	More Than One Year	Total
As at June 30, 2008	Rupees				
Short-Term Borrowings	-	-	100,000,000	-	100,000,000
Running Finance Under Mark-Up Arrangement	-	-	7,088,289	-	7,088,289
Accrued and Other Liabilities	1,291,629	1,052,472	9,878,328	-	11,169,957
Accrued Mark-Up on Borrowings	1,726,157	-	-	-	1,726,157
	<u>3,017,786</u>	<u>1,052,472</u>	<u>116,966,617</u>	<u>-</u>	<u>119,984,403</u>

30.4 Capital Risk Management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Currently the Company has an equity of Rs.153.318 million against the minimum required equity of Rs.100 million set by SECP for the NBFC Regulations providing Asset Management Services for the year ended 30 June 2009.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values, except for those otherwise mentioned.

32. APPROPRIATIONS

In the meeting held on September 25, 2008, the Board of Directors of the Company, recommended the issue of bonus shares @ 10% i.e in the proportion of 1 new Ordinary shares for every 10 Ordinary share held for the approval of the members at the Annual General Meeting.

33. AUTHORIZATION

These financial statements were authorised for issue in Board of Directors meeting held on September 15, 2009.

34. GENERAL

Figures have been rounded off to nearest rupee.

Chief Executive Officer

Director

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2009

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
108	1	100	3,549
191	101	500	39,682
178	501	1,000	128,704
126	1,001	5,000	283,992
28	5,001	10,000	193,462
9	10,001	15,000	108,345
6	15,001	20,000	105,029
4	20,001	25,000	88,739
4	25,001	30,000	111,396
1	30,001	35,000	30,500
3	35,001	40,000	114,258
1	95,001	100,000	96,250
1	105,001	110,000	109,063
3	115,001	120,000	352,779
1	175,001	180,000	176,826
1	385,001	390,000	389,317
1	445,001	450,000	448,930
1	455,001	460,000	455,501
1	565,001	570,000	567,613
2	655,001	660,000	1,318,845
1	660,001	665,000	663,832
1	680,001	685,000	683,804
1	740,001	745,000	741,199
1	1,335,001	1,340,000	1,338,247
1	1,930,001	1,935,000	1,931,763
1	4,490,001	4,495,000	4,492,125
676			14,973,750

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2009

Categories of Share Holder's	No. of Share Holders	Total Shares Held	Percentage
Individuals	645	5,370,948	35.87
Investment Companies	2	11,049	0.07
Joint Stock Companies	19	1,154,875	7.71
Financial Institution	6	5,841,978	39.01
Modaraba Companies	2	1,935,505	12.93
Govt. Organizations	1	550	0.00
Others	1	658,845	4.40
	676	14,973,750	100.00



DAWOOD
PATTERN OF SHARE HOLDING
AS AT JUNE, 30 2009

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Category No.	Cetrogies of Shares Holders	Number	Shares Held	Percentage %
1	Associated Companies	2	6,427,630	42.93
	B.R.R. Guardian Modaraba		1,935,505	12.93
	First Dawood Investment Bank Limited		4,492,125	30.00
2	NIT & ICP	3	1,348,565	9.01
	National Bank of Pakistan Trustee Deptt.		1,347,636	9.00
	Investment Corporation of Pakistan		550	0.00
	IDBP (ICP UNIT)		379	0.00
3	Directors, CEO and their Spouses and Minor Childern			
	Miss Tara Uzra Dawood	1	1,338,247	8.94
4	Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	27	3,766,721	25.16
5	Certificate Holders holding ten percent or more in the Company	2	6,427,630	42.93
	B.R.R. Guardian Modaraba		1,935,505	12.93
	First Dawood Investment Bank Limited		4,492,125	30.00



**FORM OF PROXY
XVIII ANNUAL GENERAL MEETING**

Dawood Capital Management Ltd.
Karachi.

I/We _____ of
_____ (full address)

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

Mr./Ms. _____ Folio # _____

of _____ (full address) (or failing him)

Mr./Ms. _____ Folio # _____

of _____ (full address)

being another member of the Company as my/our proxy to attend and vote for me/us on my/our behalf, at the **XVIII Annual General Meeting** of the Company to be held on October 9, 2009 at 10:00 hours and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2009, signed by the said
_____ in the presence of

Mr./Ms. _____

of _____ (full address)



Signature of Witness

Signature(s) and or Seal

Important Notes :

1. The share transfer books of the Company will remain closed from October 3, 2009 to October 9, 2009 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person other than a member shall act as a proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered office of the Company, 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. If more than one instrument of proxy appointing more than one person is deposited with the Company, all such instruments of proxy shall be rendered invalid.
5. This signature on the Instrument of Proxy must conform to the specimen signature recorded with the Company.
6. CDC account holders will in addition have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting.