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CORPORATE INFORMATION

Board of Directors	Mr. Feroze Sayeed-Ud-Deane Miss Tara Uzra Dawood Mr. Masood A.S. Wahedna Mr. Nazimuddin Feroz AVM (Retd.) Zulfiqar Ahmed Shah Syed Shabahat Hussain Mr. Gul Nawaz	Chairman Chief Executive Officer Director Director Director Director Director	(Nominee of BRRGM) (Nominee of BoK) (Nominee of BRRGM) (Nominee of FDIBL) (Nominee of NIT)
Chief Financial Officer	Mr. Muhammad Saleem Munshi		
Company Secretary	Mr. Tahir Mehmood		
Audit Committee	AVM (Retd.) Zulfiqar Ahmed Shah Mr. Masood A.S. Wahedna Mr. Gul Nawaz	Chairman Member Member	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants		
Legal Adviser	Rauf & Ghaffar Law Associates Advocates Suite No. 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar, Karachi-75530.		
Banker	Bank AL Habib Limited Dawood Islamic Bank 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 43 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.

Ms. Tara Uzra Dawood



Ms. Tara Uzra Dawood spearheaded the founding of DCM with ADB and the launching of its mutual funds and investment advisory services, as well as its Shariah Division. DCM's assets under management reached to 6.20 billion in 2003 and its individual funds have won industry leading performance and dividend payout. She is a seasoned communication/business management expert with diverse experience in FI Management, Merger and acquisitions and IPOs with multinational exposure. She is a speaker at global financial conferences and renowned universities including Oxford & Harvard on Entrepreneurship, Shariah Compliant Finance, Women & Children and Money. She has done her Doctorate of Juridical Science (J.D.) from Harvard Law School (including a minor in Islamic Financial and Legal Systems) and Bachelor of Arts Honors (A.B.) from Cornell University and Somerville College, Oxford University.

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. Shabhat Hussain (Subject to Approval of SECP)



Syed Shabhat 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. Hussain has over 40 years extensive domestic and international banking experience in various field.

AVM (Retd.) Zulfiqar Ahmed Shah



Mr. Shah has the honors 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. He has been working in the private sector for last 8 years.

Mr. Masood Wahedna

Mr. Wahedna is a Masters in Business Administration with over 20 years of experience and is currently working for The Bank of Khyber as Divisional Head, Treasury & Investments and is responsible for the managing the entire Investment and Trading portfolio of the Bank. He has vast exposure of dealing in Debt Market Instruments, Foreign Exchange, Equities and Commodities. He is an excellent team player with dynamic vision and leadership approach. Mr. Wahedna is on the Board of Financial Markets Association of Pakistan as its Treasurer, he is also the Honorary Treasurer of the Cutchi Memon Jamat Saddar and the President of the Cutchi Memon Credit Co-operative Society Ltd.

KEY MANAGEMENT PERSONNEL



Mr. Muhammad Saleem Munshi (Chief Financial Officer)

Mr. Muhammad Saleem Munshi is Master in Business Administration (Finance) Mr. Munshi has 29 years of enriched experience as a key finance team member in various FI's. He is one of the founder members of first perpetual B.R.R. Guardian Modaraba and honors to be a key part of Dawood Group as a financial expert for more than 25 years. Mr. Munshi specializes in Islamic mode of financing i.e. Ijara, Musharaka, Morabaha and other related transactions. As CFO, his core responsibilities include Financial Management & Reporting, coordination with regulatory authorities, Taxation, Finalization of Accounts and Budgeting of all Funds and the Management Company.



Syed Tariq Ali (Head of Business Development & Marketing)

Mr. Ali, as Executive Vice President and Head, Business Development & Marketing, Dawood Capital Management Ltd. (DCM) reporting to Chief Executive for all the strategic planning and its implementation for DCM. Mr. Ali has the experience of Management in multifaceted roles for strategic planning, Brand Architecture, product development and its implementation. Mr. Ali has completed his Master's in Business Administration from Institute of Business Management Karachi specialized in Marketing also he has done various courses in Management, Strategic Vision & Brand Architecture and a trained professional for leadership role from Pakistan Air Force.



Mr. Muhammad Ahmed (Fund Manager)

Mr. Ahmed has the honor of servicing in Dawood Group with over 20 years. He has over 25 years working experience with the financial markets & portfolio management. He is responsible for managing the equity portfolio and debt securities portfolios in all three funds of DCM. He is also responsible for proper utilization of funds keeping the track and update market development and keeping the management abreast with the latest market trends. His extensive business relationships and interbank treasury and equity dealing are the key strengths.

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. 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 First Dawood Group for over 7 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 19th)

Notice is hereby given that the AGM 19th of the shareholders of the Company will be held on Tuesday October 26, 2010 at 09:30 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 Extra Ordinary General Meeting held on March 22, 2010.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2010 together with Directors and Auditors Reports thereon.
3. To appoint the Auditors and fix their remuneration.
4. Any other Business with the permission of the Chair

By Order of the Board

October 05, 2010
Karachi

Tahir Mehmood
Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from October 20, 2010 to October 26, 2010 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1700-A, Saima Trade Towers, I.I.Chundrigar Road, Karachi, 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.



FINANCIAL HIGHLIGHTS

	2010	2009	2008	2007	2006	2005	2004	2003
	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	149.74	136.13	121.00	110.00	100.00	100.00	100.00
Shareholders' Equity	149.41	153.32	392.69	259.06	199.07	157.80	142.40	135.69
Total Assets	161.73	197.18	512.90	347.45	259.11	259.40	187.06	174.75
Short-Term Investment in Securities	5.72	32.04	267.78	131.56	105.01	223.46	164.86	154.79
Short-Term Investment in Deposits	-	-	15.00	-	-	15.00	-	-
Income From Investments	11.89	6.26	16.49	12.25	15.28	21.43	16.58	16.75
Management Fee	24.60	28.47	67.70	38.48	29.90	14.93	6.06	0.63
Other Income	4.90	2.72	0.45	0.54	0.40	6.85	1.53	0.70
Impairment Loss on Investment	(4.27)	(52.06)	-	-	-	-	-	-
(Loss)/Profit Before Taxation	(0.08)	(102.19)	23.86	42.67	42.65	21.11	6.85	7.90
Taxation	0.07	0.34	3.53	(1.27)	4.56	4.52	1.95	1.64
(Loss)/Profit After Taxation	(0.16)	(102.53)	20.33	43.94	38.09	16.59	4.90	6.25
Book Value Per Share	9.98	10.24	28.87	21.41	16.45	15.78	14.24	13.57
Earnings Per Share	(0.01)	(6.85)	1.49	3.63	3.15	1.51	0.49	0.63



DIRECTORS' REPORT

The Board of Directors of Dawood Capital Management Ltd. ("DCM" or the "Company") is pleased to present the eighteenth annual report and the audited financial statements of the Company for the year ended June 30, 2010. This Report presents the financial, operating and corporate social responsibility, performance of the Company and highlights the key business challenges faced by us during the year. Despite several challenges, DCM continued its journey of success and has emerged with a more progressive and dynamic outlook.

Company Performance

	June 30, 2010	June 30, 2009
Rupees.....	
Profit earned on Investments	11,886,381	6,261,905
Management Fees	24,598,608	28,471,281
Other Operating Income	4,898,965	2,720,280
Gross Revenue	41,383,954	37,453,466
Administration and Operating Expenses	31,374,184	42,134,453
Financial Charges	151,686	9,670,475
Total Expenses	31,525,870	51,804,928
Share of Associates' Loss	(5,668,228)	(35,776,881)
Impairment Loss on Investments	(4,273,757)	(52,061,839)
Loss Before Taxation	(83,901)	(102,190,182)
Loss After Taxation	(156,421)	(102,529,852)

Overall financial position in current year shows a significant improvement as compared to last year. Despite decrease in Management Fee, Gross revenue increased by 10.5% to Rs. 41.38 Million as opposed to Rs. 37.45 Million last year. The Profit earned on Investment increased to Rs. 11.89 Million as compared to Rs. 6.26 Million in last year. Other Operating Income also increased from 2.72 Million to Rs. 4.90 Million during the year

The Company has reduced Administrative and operating expenses to Rs. 31.37 million in comparison to last year's amounting Rs. 42.13 million representing 25.54% reduction in Administrative and operating expenses. Financial charges also reduced from 9.67 Million to Rs. 0.15 Million primarily due to reduction in borrowing and fall in economic activity.

Share of Associates loss reduced from 35.78 Million to Rs. 5.67 million. The Impairment Loss on Investment also reduced from 52.06 Million to 4.27 Million.

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.

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.

DIRECTORS' REPORT

- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no 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, CFO, Company Secretary and their spouses and their children accept has stated under this report.
- 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
CEO	37,759	-	-
Directors	-	-	-
Officers	-	-	-

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) maintained a rating of AM4+.

Overall Economic Scenario

Economic Outlook

FY 2010 AT A GLANCE

The outgoing year witnessed the making of a global recovery. Leading indicators, and upgraded projections from the IMF, have so far pointed to a sharp rebound in the world economy. Pakistan has shown gradual recovery on the macroeconomic front in the FY10. However, the recovery is still fragile and the stabilization needs to be consolidated so that the gains over the past two difficult years are not lost.

The SBP took a cut in interest rate by 50bps to 12.50% in November 2009 after peaking in November 2008. SBP took this step in the consequence of declining CPI in the country thus resulted in overall decline in the interest rates till March 2010. Due to inflationary pressure in the following months coupled with rising twin deficits, SBP again raised the interest rate by 50bps in its July 2010 monetary policy.

Despite severe challenges, the economy showed resilience in the outgoing year. Growth in Gross Domestic Product (GDP) for 2009-10, on an inflation-adjusted basis, has been recorded at a provisional 4.1% as compares to the GDP growth of 1.2% in the previous year.

CPI Inflation has recorded a 12.3% YoY with food inflation of 12.5% and non food inflation at 12%. This inflationary pressure seems to continue due to prevailing Political, Law and Order and economic conditions of the country.

Post Flood Impacts

Heavy floods in the Indus River resulting from monsoon rains have caused widespread damage to the economy. The scale of the devastation caused by the floods is staggering. Nearly 20mn people have been displaced, making this one of the worst natural disasters in history. Nearly 1.25mn houses have been completely destroyed, leaving most of the affected households without shelter. Losses to the economy are estimated at close to USD 4bn (2% of GDP) and continuous to further increase.

DIRECTORS' REPORT

We now expect a significant slowdown in GDP growth in FY11 (ends June 2011) and lower our growth forecast to 2.5%; this would follow growth of 4.1% in FY10. We also now expect FY11 inflation to jump sharply to 15%, depending on the extent of the damage and the measures taken by the government to reconstruct and rebuild the affected areas.

Stock Market Review

Stock Markets during the FY10 showed a considerable recovery as compare to the passing year by gaining 35.74%. Investor's confidence has improved as compare to FY09 because of stability in economic indicators.

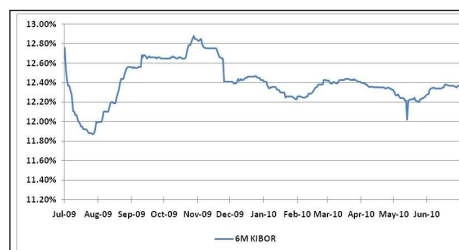
Foreign portfolio investment increased to US\$ 569 million in FY10. Foreign participation was mainly determined by attractive valuation of market as compare to the regional markets. On the other side mainly due titled towards index heavy weight. Out of the major sectors listed on KSE, oil & gas, chemical sector (particularly fertilizers stock) and auto stocks outperformed the market while cement, refineries and insurance sector were underperformed. OGDC the largest oil and gas Exploration Company and MCB largest private sector bank contributed 52% of the index gain (OGDC 45% & MCB 7.0%).

Average daily market volume during the year was 161 million shares Rs. 6.97billion as compare to 105.6 million (Rs. 4.43billion) last year which showed an improvement of 52% on a YoY basis.

Debt Market Review

Six month KIBOR displayed a declining trend during FY2010 due to sufficient liquidity maintained by the banks. It was closed at 12.37% which is 39bps low from 12.76% as on 30 June 2009.

Overall debt market remained under pressure throughout the FY10. Downgrading and downward valuation of major debt scripts at MUFAP coupled with defaults of major investee companies led towards negative market sentiments. Also the pressure selling of debt scripts by mutual funds to meet liquidity requirements joined the party. These issues hampered the secondary market led towards the shaky investors' confidence on the mutual fund industry.



Prospects

The goal of your company is to focus on three strategies: business enhancement, increasing profitability and strengthening the customer relationships; optimizing the use of shareholder and human capital & building on our core strengths.

Changes in Directors

During the year, election of directors has been conducted in Extraordinary General Meeting dated March 22, 2010 and reappointment of CEO has been made with no variations in terms and conditions.

Currently, the Company has Seven Directors on its Board.

Board of Directors Meetings

During the year 2009-10, five (5) meetings of the Board of Directors of the management company were held, the requisite details are as under:

DIRECTORS' REPORT

S. No.	Name	Designation	Entitlement to Attend Meeting	Leave of absence
1.	Mr. Feroze Sayeed-ud-Deane	Chairman	5	1
2.	Miss Tara Uzra Dawood	Chief Executive	5	2
3.	Mr. AVM (Retd.) Zulfiqar Shah	Director	5	-
4.	Mr. Iftikhar Hussain	Director	5	1
5.	Syed Shabaha Hussain	Director	2	-
6.	Mr. Nazimuddin Feroz	Director	5	3

Audit Committee

The Board of Directors of the Management 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.

Mr. AVM (Retd.) Zulfiqar Ahmed Shah	Chairman
Mr. Gul Nawaz	Member
Mr. Masood A. S. Wahedna	Member

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.

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).

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 2010-11.

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. 4,605,756/- in the provident fund scheme.

Auditors

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, 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. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as auditors for the year ending June 30, 2011.

Risk Management

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

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

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

The Board has formed the following committees to manage the various types of risks 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.

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, 2010 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

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

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

**October 4, 2010
Karachi**

Chairman

2nd
LADIESFUND®
WOMEN'S ENTREPRENEURSHIP AWARDS 2010

LADIESFUND™ hosted 2nd LADIESFUND® Women's Entrepreneurship Awards 2010 on March 12th, 2010 at Mohatta Palace Museum, Karachi, Pakistan, during International Women's Week. The grand Mohatta Palace Museum provided a backdrop for this important event and was selected not only for its beauty but because it was the home of Mohtharma Fatima Jinnah, Khatoon-e-Pakistan (Lady of Pakistan) and sister of the Quaid-e-Azam Mohammed Ali Jinnah the founder of Pakistan. These Awards were created in the spirit of her legacy.

Ms. Tara Uzra Dawood, CEO of Dawood Capital Management Ltd., managers of LADIESFUND®, founded these awards with a deep commitment to the development of women in Pakistan and was encouraged by the hundreds of nominations that were received from across the country and the support of many volunteers and well-wishers.

The Chief Guests for the event were Ms. Nasreen Jalil, former Senator, and Ms. Khushbakht Shujat, Minister of the National Assembly. Both these eminent women spoke about the importance of such platforms and expressed their continuing support and promotion of the entrepreneurial spirit of Pakistani women. They also spoke about the growing influence and role of Pakistani women in the social and professional sectors, and the need to prioritize their financial security by investing in themselves, which is the vision behind LADIESFUND® Savings Plans and investment advisory services for women.

MESSAGES:

Khushbakht Shujat

"Recognition of women achievement is an important step in opening up opportunities for women and rebranding Pakistan on the global front. The 2nd LADIESFUND® Women's Entrepreneurship Awards has played and continues to serve a very important role in this. By celebrating women in this manner, during International Women's Week, LADIESFUND® is providing a platform for women to network, connect and appreciate one another. It is my honour to be a Chief Guest at this event and I congratulate all involved. I support and look forward to the strengthening of this initiative and the many ways it can continue to grow and have meaning to Pakistan, particularly the women of our nation."

Nasreen Jalil

"It is wonderful to see Pakistani Women being recognized. I applaud LADIESFUND® and its CEO Tara Uzra Dawood's initiative in creating the LADIESFUND® Women's Entrepreneurship Awards. It is my privilege to be a Chief Guest at this event for the second time. The overwhelming response received the first time was heartening and I was happy to see women from all different walks of life and with different interests come together through this platform. I congratulate the organizers, judges and winners, as well as the guests for it is their presence and participation that is the greatest achievement of these Awards. Together, Pakistan women can achieve anything."

Tara Uzra Dawood

"It is my dream that every woman in Pakistan have financial security. That is why we launched LADIESFUND® trust funds and investment advisory services for woman. When the late Benazir Bhutto was assassinated, the concept of the LADIESFUND® Women's Entrepreneurship Awards came to life with the dream of celebrating, acknowledging and encouraging women to do extraordinary things and continue the legacy of Mohtarma Benazir Bhutto which was in itself a continuation of the legacy of Mohtarma Fatima Jinnah. It is very important to celebrate success because it touches the lives of a broad spectrum of those who need inspiration."



The judges' panel for the awards included Barrister Shahida Jamil, Frieha Altaf, CEO of Catwalk, Ameena Saiyid, Managing Director of Oxford University Press, Rehana Saigol, fashion designer and jeweler and Sameera Raja, CEO and owner of Canvas Art Gallery and former winner of LADIESFUND® Women's Entrepreneurship Award.



Rehana Saigol



Ameena Saiyid



Barrister Shahida Jamil



Frieha Altaf



Sameera Raja

For their generous support, a special thank you to Bateel, Oxygen Spa, Masafi Water, Anis Younus, Mobilink, Shamain Faruque, EMBA, Sheep™, Buttlers Chocolate, Tariq Ellahi and The Original Chocolate Fountain, Tanya Anand & Everready Picture, City FM 89 and Karachi Snob.com.

The event would not have been possible without our generous volunteers.



he winners for the awards were in their respective categories were:

LADIESFUND™ Woman of the Year 2010: Dr. Ruth Pfau

A symbol of dedication, Dr. Ruth Pfau, a German lady, has been awarded for her inspiring 50 years of dispelling myths attached to people suffering from the dreadful ailment of leprosy. She has shown love, compassion and dedication to a cause very few have empathy towards and has shown tremendous courage in tackling the challenges along the way and has been blessed with success. She loves Pakistan and says, “a Leprosy victim has one single life - a life just like mine and yours”. She is Pakistan’s Mother Teresa. She is Dr. Ruth Pfau.

LADIESFUND™ Lifetime Achievement Award: Begum Sughra Kazmi

Awarded for almost forty years of inspiration to designers and women entrepreneurs in Pakistan, Begum Sughra Kazmi began with a handful of tailors in a small backroom. Today, she has successfully expanded her couture business to a point where her name is synonymous with impeccable style and the peerless beauty of traditional workmanship. Begum Kazmi’s life and work inspires us because it reflects the inevitable success that comes, and most importantly, lasts, when creativity is combined with sheer hard work, the courage to take risks, and the relentless pursuit of perfection.

LADIESFUND™ Trailblazer 2010: Khadija Malik & Kiran Aman

Khadija Malik and Kiran Aman are awarded for their trailblazing initiative in establishing in 2007 the publishing house Stillwaters, a publishing house that produces world class books including REVIVED: The Journey Within, SKIN and RAW LIFE. They have also established a production house, which launched MADE IN PAKISTAN, a nationwide documentary, and “Stillwaters Peepal,” which aims at empowering young people by conducting motivational workshops.

LADIESFUND™ Trailblazer 2010: Lal Majid & Madiha Sultan

Lal Majid and Madiha Sultan have been awarded for their trailblazing initiative in launching three years ago Pakistan’s first chocolate brand, LALS. Combining chocolate and flowers symbolizes their philosophy of celebration. They have expanded to three outlets, with plans to expand their network of chocolate boutiques to other cities in Pakistan in line with a determination to lead a renaissance in confections in Pakistan.

LADIESFUND™ Momentum Award 2010: Nilofer Saeed

Awarded for her successful introduction of the cafe culture to Pakistan with Copper Kettle and the expansion of her vision to retail baked goods with Hobnob Bakery, which in 10 years has expanded to 12 branches citywide. Nilofer Saeed has also worked on numerous committees and is an active member, worker and founder of the supporter group of The Citizens Foundation, of which she is the only woman to serve on the Board of Directors.

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

Statement of Compliance with the Code of Governance

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 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 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 presided 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 Company arranged an orientation course for its directors during the year to apprise them of their roles and responsibilities.
- 10) No New appointment of CFO, Company Secretary or Head of Internal Audit has been made during the year.
- 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 Fund 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 chairman of the committee.
- 16) The meetings of the Audit Committee (AC) 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 its 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) The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for terms and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
 - 21) 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: October 04, 2010**

**Tara Uzra Dawood
Chief Executive Officer**



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



■ *Ernst & Young Ford Rhodes Sidat Hyder* ■ Phone: (92-21) 565 0007-11
Chartered Accountants Fax: (92-21) 568 1965
Progressive Plaza, Beaumont Road frsh.khi@pk.ey.com
P.O. Box 15541 Offices at Lahore & Islamabad
Karachi 75530, Pakistan www.ey.com/pk

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Dawood Capital Management Limited (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Dawood Capital Management Limited. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 a) of Listing Regulation 35 of the Karachi Stock Exchange 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 procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 30 June 2010.

Karachi
Date: October 4, 2010

Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS



■ *Ernst & Young Ford Rhodes Sidat Hyder* ■ Phone: (92-21) 565 0007-11
Chartered Accountants Fax: (92-21) 568 1965
Progressive Plaza, Beaumont Road frsh.khi@pk.ey.com
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Karachi 75530, Pakistan www.ey.com/pk

We have audited the annexed balance sheet of **DAWOOD CAPITAL MANAGEMENT LIMITED** as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after referred to as the 'financial statements'), 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 financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial 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 consistently applied except for the changes in accounting policies as disclosed in note 2.2 to the accompanying financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and its loss, its comprehensive 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: October 4, 2010

Chartered Accountants
Audit Engagement
Partner: Omer Chughtai

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non-Current Assets			
Operating Fixed Assets	5	2,550,187	3,272,434
Long-Term Investments	6	137,369,985	143,038,213
Long-Term Receivables from Related Parties	7	1,615,000	2,115,000
Long-Term Loan	8	-	3,207,714
Long-Term Deposits		31,000	31,000
		<u>141,566,172</u>	<u>151,664,361</u>
Current Assets			
Investments - Available for Sale	9	5,724,807	32,039,802
Loans and Advances	10	1,499,458	1,839,466
Prepayments, Interest Accrued and Other Receivables	11	1,220,803	172,800
Remuneration Due from Funds Under Management	12	1,331,254	1,731,960
Advance Tax - Net of Provision		6,364,582	8,565,298
Bank Balances	13	4,023,077	1,166,359
		<u>20,163,981</u>	<u>45,515,685</u>
		<u>161,730,153</u>	<u>197,180,046</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	149,737,500
Unrealised (Deficit)/Surplus on Revaluation of Available for Sale Investments to Fair Value - Net	9	(7,565)	3,743,812
General Reserves		33,630,264	33,630,264
Unappropriated Loss		(33,949,579)	(33,793,158)
		<u>149,410,620</u>	<u>153,318,418</u>
Non-Current Liabilities			
Deferred Tax Liability - Net	15	-	55,000
Current Liabilities			
Short-Term Borrowing		-	24,560,044
Running Finance Under Mark-Up Arrangement - Secured		-	6,902,808
Accrued and Other Liabilities	16	12,319,533	11,627,421
Accrued Mark-Up on Borrowings		-	716,355
		<u>12,319,533</u>	<u>43,806,628</u>
Contingency	17	-	-
		<u>161,730,153</u>	<u>197,180,046</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Executive Officer

Director



DAWOOD

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

Annual Report 2010

	Note	2010 Rupees	2009 Rupees
INCOME			
Investment Income	18	11,886,381	6,261,905
Management Fee	19	24,598,608	28,471,281
		<u>36,484,989</u>	<u>34,733,186</u>
Impairment on Available for Sale Investments		<u>(4,273,757)</u>	<u>(52,061,839)</u>
		<u>32,211,232</u>	<u>(17,328,653)</u>
EXPENSES			
Administrative and Operating Expenses	20	31,374,184	42,134,453
Financial Charges	21	151,686	9,670,475
		<u>31,525,870</u>	<u>51,804,928</u>
		<u>685,362</u>	<u>(69,133,581)</u>
Other Operating Income	22	4,898,965	2,720,280
		<u>5,584,327</u>	<u>(66,413,301)</u>
Share of Associates' Loss	23	(5,668,228)	(35,776,881)
		<u>(83,901)</u>	<u>(102,190,182)</u>
LOSS BEFORE TAXATION			
Taxation			
- Current		127,520	-
- Prior		-	511,670
- Deferred		(55,000)	(172,000)
	24	<u>72,520</u>	<u>339,670</u>
NET LOSS FOR THE YEAR		<u>(156,421)</u>	<u>(102,529,852)</u>
LOSS PER SHARE - Basic and Diluted	25	<u>(0.01)</u>	<u>(6.85)</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Executive Officer

Director



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

	2010 Rupees	2009 Rupees
Net Loss for the Year	(156,421)	(102,529,852)
Surplus/(Deficit) on Revaluation of Available for Sale Investments (Recognised Directly in Equity)	40,865	(134,853,052)
Surplus on Revaluation of Available for Sale Investments Transferred to Income Statement on Disposal	(3,792,242)	(1,991,228)
Other Comprehensive Loss - Unrealized Loss on Available for Sale Investments	(3,751,377)	(136,844,280)
Total Comprehensive Loss for the Year	(3,907,798)	(239,374,132)

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Executive Officer

Director



DAWOOD

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

Annual Report 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Taxation	(83,901)	(102,190,182)
Adjustments for:		
Depreciation	1,038,565	1,522,366
Gain on Sale of Investments	(11,346,542)	(1,386,351)
Dividend Income	(500,000)	(803,099)
Return on Term Finance Certificates	(39,839)	(4,072,455)
Impairment on Available for Sale Investments	4,273,757	52,061,839
Financial Charges	151,686	9,670,475
Gain on Disposal of Operating Fixed Assets	(13,475)	(429,977)
Mark-up Earned on Saving Accounts	(105,118)	(240,769)
Share of Associates' Loss	5,668,228	35,776,881
	(872,738)	92,098,910
Operating Cash Flows Before Working Capital Changes	(956,639)	(10,091,272)
(Increase)/Decrease in Current Assets		
Loans and Advances	340,008	28,326,467
Fund Placement - Unsecured	-	15,000,000
Prepayments, Interest Accrued and Other Receivables	(1,048,070)	(82,126)
Remuneration Due from Funds Under Management	400,706	3,830,326
	(307,356)	47,074,667
Increase in Current Liability		
Accrued and Other Liabilities	692,112	457,464
Long-Term Receivables from Related Parties	500,000	500,000
Cash Flows (Used in)/From Operations	(71,883)	37,940,859
Income Taxes Refunded/(Paid)	2,073,196	(2,833,878)
Financial Charges Paid	(867,926)	(10,680,277)
Net Cash Flow from Operating Activities	1,133,387	24,426,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Long-Term Investments - Net	-	(6,086,036)
Proceeds from Disposal of Operating Fixed Assets	495,307	2,839,245
Proceeds from sale of Investments	29,636,288	48,219,052
Dividends Received	500,000	803,099
Receipt of Return on Term Finance Certificate and Fund Placement	41,973	4,601,615
Receipt of Mark-up on Saving Account	103,051	240,769
Long-Term Loan	3,207,714	414,026
Purchase of Operating fixed Assets	(798,150)	-
Net Cash Flow from Investing Activities	33,186,183	51,031,770

	2010	2009
	Rupees	Rupees
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-Term Borrowings	(24,560,044)	(75,439,956)
Net Cash Used in Financing Activities	<u>(24,560,044)</u>	<u>(75,439,956)</u>
Net Increase in Cash and Cash Equivalents	9,759,526	18,518
Cash and Cash Equivalents at the Beginning of the Year	(5,736,449)	(5,754,967)
Cash and Cash Equivalents at the End of the Year	<u>4,023,077</u>	<u>(5,736,449)</u>
Components of Cash and Cash Equivalents		
Bank Balances	4,023,077	1,166,359
Running Finance Under Mark-Up Arrangement - Secured	-	(6,902,808)
	<u>4,023,077</u>	<u>(5,736,449)</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Executive Officer

Director



DAWOOD

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010**

	Issued, Subscribed & Paid-Up Capital	General Reserve	Deficit on Revaluation of Available for Sale Investments	Unappropriated Loss	Total
	Rupees				
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)
Other Comprehensive Loss	-	-	(136,844,280)	-	(136,844,280)
Total Comprehensive Loss	-	-	(136,844,280)	(102,529,852)	(239,374,132)
Issue of Bonus Shares	13,612,500	-	-	(13,612,500)	-
Balance as at June 30, 2009	149,737,500	33,630,264	3,743,812	(33,793,158)	153,318,418
Balance as at July 01, 2009	149,737,500	33,630,264	3,743,812	(33,793,158)	153,318,418
Loss for the Year	-	-	-	(156,421)	(156,421)
Other Comprehensive Loss	-	-	(3,751,377)	-	(3,751,377)
Total Comprehensive Loss	-	-	(3,751,377)	(156,421)	(3,907,798)
Balance as at June 30, 2010	149,737,500	33,630,264	(7,565)	(33,949,579)	149,410,620

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Executive Officer

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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 Changes in Accounting Policy and Disclosures

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

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 -- Share- Based Payment- Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 -- Business Combinations (Revised)

IFRS 7 -- Financial Instruments: Disclosures (Amendments)

IFRS 8 -- Operating Segments

IAS 1 -- Presentation of Financial Statements (Revised)

IAS 23 -- Borrowings Costs (Revised)

IAS 27 -- Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 -- Consolidated and Separate Financial Statements (Amendment)

IAS 32 -- Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements -- Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

IAS 39 -- Financial Instruments: Recognition and Measurements -- Eligible hedged items (Amendments)

IFRIC 15 -- Agreements for the Construction of Real Estate

IFRIC 16 -- Hedges of a Net Investment in a Foreign Operation

IFRIC 17 -- Distributions of Non-cash Assets to owners

IFRIC 18 -- Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the following:

IAS - 1 "PRESENTATION OF FINANCIAL STATEMENTS (REVISED)"

The Company has adopted IAS - 1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

IFRS 7 - "FINANCIAL INSTRUMENTS: DISCLOSURES"

The amended standard requires additional disclosures about fair value measurements and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in Note 28 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 27.3 to the 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 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	01 February 2010
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

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 past 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 4.19, 15 and 24);
- 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 impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Depreciation is charged to profit and loss account over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 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 residual values and useful lives of assets are reviewed at each financial year end and adjusted, if appropriate.

Gains and losses on disposals, if any, 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 agreement and the fair value of asset acquired. The related obligation under the lease is accounted for as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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 profit and loss account 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 profit and loss account in the period in which they arise.

Held to Maturity

Investment with fixed maturities and fixed or determinable payments are classified as held to maturity investments when management has both the intent and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment. All debt securities, except non-traded and thinly traded debt securities, and government securities shall be valued at their fair values or in the manner as prescribed by the NBFC Regulations and directives issued by SECP.

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

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

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 purpose and amounts used for taxation purpose. 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 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 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		2010					Book Value as at June 30, 2010	Rate %
	As at July 01, 2009	Addition/ (Deletion)	As at June 30, 2010	Accumulated Depreciation					
				As at July 01, 2009	Charge for the Year	Disposal/ (Deletion) During the Year	As at June 30, 2010		
OWNED	Rupees								
Furniture and Fittings	761,187	-	761,187	444,218	76,119	-	520,337	240,850	10
Vehicles	4,911,775	724,500	4,587,035	2,225,162	788,307	(567,408)	2,446,061	2,140,974	20
		(1,049,240)							
Office Equipment	82,250	37,000	119,250	31,529	19,533	-	51,062	68,188	20
Computer Equipment	1,046,840	36,650	1,083,490	828,709	154,606	-	983,315	100,175	33
	6,802,052	798,150	6,550,962	3,529,618	1,038,565	(567,408)	4,000,775	2,550,187	
		(1,049,240)							

	Cost		2009					Book Value as at June 30, 2009	Rate %
	As at July 01, 2008	Addition/ (Deletion)	As at June 30, 2009	Accumulated Depreciation					
				As at July 01, 2008	Charge for the Year	Disposal/ (Deletion) During the Year	As at June 30, 2009		
OWNED	Rupees								
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	

5.2 Disposal of Fixed Assets

Description	2010				Mode of Disposal	Particulars of Buyer
	Original Cost	Accumulated Depreciation	Book Value	Sale Proceed		
	Rupees					
Vehicle	58,500	39,975	18,525	32,000	Company Policy	New Jubilee Insurance Company Limited
Vehicle	56,400	30,040	26,360	26,360	Company Policy	Mr. Muhammad Farooq (Employee)
Vehicle	934,340	497,393	436,947	436,947	Company Policy	Mr. Tauqir Shamshad (Employee)
	1,049,240	567,408	481,832	495,307		

5.3 The cost of fully depreciated operating fixed assets amounts to Rs. 1,128,250/- (2009: Rs. 853,600/-).

	Note	2010 Rupees	2009 Rupees
6. LONG-TERM INVESTMENTS			
Investment in Associates			
Quoted			
First Dawood Mutual Fund (Closed-End Fund) - An Associate (Using Equity Method)			
8,792,925 (2009: 8,792,925) Fully Paid Ordinary Certificates of Rs. 10/- Each Representing 15.14% (2009: 15.14%) Holding	6.1	73,420,924	78,872,537
Dawood Money Market Fund (Open-End Fund) - An Associate (Using Equity Method)			
144,883 (2009: 144,883) Units of Rs. 100/- Each Representing 3% (2009: 1.34%) Holding	6.2	11,523,721	11,740,336
Others			
Unlisted Companies (Available for Sale)			
Sapphire Power Generation Limited			
50,000 (2009: 50,000) Fully Paid Ordinary Shares of Rs. 10/- Each	6.3	1,750,000	1,750,000
Dawood Islamic Bank Limited - a Related Party			
2,345,034 (2009: 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 (2009: 2,722,500) Fully Paid Ordinary Shares of Rs. 10/- Each	6.5	27,225,000	27,225,000
		<u>137,369,985</u>	<u>143,038,213</u>
6.1 The fair value of investment in First Dawood Mutual Fund (the Fund) as at June 30, 2010 amounts to Rs. 14,244,539/- (2009: Rs. 17,585,850/-). The abridged financial information of the Fund based on audited financial statements as at June 30, 2010 is as follows:			
Associate's Statement of Assets and Liabilities			
Total Assets		487,353,572	525,099,321
Total Liabilities		2,674,583	4,114,921
Net Assets		484,678,989	520,984,400
Share of Company's Net Assets		73,420,924	78,872,537
Associate's Income Statement			
Total Loss		(17,158,685)	(198,914,556)
Net Loss		(36,305,411)	(219,867,882)

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, 2010 amounts to Rs. 11,523,721/- (2009: Rs. 11,740,336/-). The abridged financial information of the Fund based on audited financial statements as at June 30, 2010 is as follows:

	Note	2010 Rupees	2009 Rupees
Associate's Statement of Assets and Liabilities			
Total Assets		387,034,454	890,050,087
Total Liabilities		2,930,231	16,662,670
Net Assets		<u>384,104,223</u>	<u>873,387,417</u>
Share of Company's Net Assets		11,523,721	11,740,336
Associate's Income Statement			
Total Income		216,401,300	150,933,628
Net Profit/(Loss)		75,498,281	(187,496,037)

The Fund has been classified as an associate in spite of the fact that the Company holds less than twenty percent in the Fund for the reason that the Company is also 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, 2010 amounts to Rs. 3.138/- million (2009: Rs. 3.312/- million).
- 6.4 The net asset value of Company's investment in Dawood Islamic Bank Limited based on unaudited financial statements as at June 30, 2010 amounts to Rs. 21.387/- million (2009: Rs. 23.708/- million). 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, 2009 amounts to Rs. 25.7/- million (2008: Rs. 26.895/- million).

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

From Associates:			
First Dawood Mutual Fund	7.1	-	1,000,000
Dawood Islamic Fund	7.1	1,000,000	1,500,000
		1,000,000	2,500,000
Less: Receivable within One Year			
First Dawood Mutual Fund		-	(1,000,000)
Dawood Islamic Fund		(500,000)	(500,000)
		(500,000)	(1,500,000)
Others:			
Dawood Stock Fund		1,115,000	1,115,000
		<u>1,615,000</u>	<u>2,115,000</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 - UNSECURED, CONSIDERED GOOD

Related Party - Unsecured, Considered Good	8.1	972,458	3,547,180
Less: Receivable within One Year		(972,458)	(339,466)
		-	3,207,714

	2010 Rupees	2009 Rupees
8.1 Represents loan to an ex-employee as per details below:		
Opening Balance	3,547,180	4,045,947
Repayments	<u>(2,574,722)</u>	<u>(498,767)</u>
Closing Balance	<u>972,458</u>	<u>3,547,180</u>

This loan has been provided to an ex-employee during his service to facilitate construction/renovation of residential accommodation as per Company policy and is repayable by 28 February 2011 and carries mark up at the rate of 15%

9. INVESTMENTS - AVAILABLE FOR SALE

		2010		2009	
		Book Value/ Cost	Fair Value	Cost	Fair Value
		Rupees			
		-	-	884,821	4,677,063
	9.2	9,721,358	5,447,601	79,188,122	27,126,283
	9.3	<u>284,772</u>	<u>277,206</u>	284,886	236,456
		<u>10,006,130</u>	<u>5,724,807</u>	80,357,829	32,039,802
		(7,566)	-	3,743,812	-
		<u>(4,273,757)</u>	-	<u>(52,061,839)</u>	-
		<u>5,724,807</u>	<u>5,724,807</u>	32,039,802	32,039,802

9.1 Available for Sale Investments

Related Parties	7,314,708	4,241,101	29,663,908	7,314,708
Others	<u>2,691,422</u>	<u>1,483,706</u>	50,693,921	24,725,094
	<u>10,006,130</u>	<u>5,724,807</u>	80,357,829	32,039,802

9.2 Listed Shares and Close-End Funds

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

		2010		2009		
No. of Shares/Certificates	Name of Companies/ Mutual Funds	Note	Book Value/ Cost	Fair Value	Cost	Fair Value
			Rupees			
Equity Investment Instruments						
-	1,020,525		-	-	9,524,214	3,061,575
-	1,000,000		-	-	10,000,000	4,720,000
Financial Services						
2,382,641	2,382,641	9.2.1	7,314,708	4,241,101	29,663,908	7,314,708
635,000	1,500,000		2,406,650	1,206,500	15,000,000	5,685,000
Personal Goods						
-	1,500,000		-	-	15,000,000	6,345,000
			<u>9,721,358</u>	<u>5,447,601</u>	79,188,122	27,126,283

9.2.1 As per SECP Circular 09 of 2006, 2,382,641 (2009: 2,382,641) shares of First Dawood Investment Bank Limited are held in a blocked account with CDC. The Company can only dispose these shares with the prior approval from the SECP.

9.3 Term Finance Certificates - Listed

(Having Face Value of Rs. 5,000 Each, Unless Stated Otherwise)

No. of Certificates 2010 2009	Period of Redemption	Terms of Redemption	Rate %	2010		2009		
				Cost	Fair Value	Cost	Fair Value	
57 57	Pace Pakistan Limited (TFC)	2008-2013	Semi Annually	6 months KIBOR + 1.5	284,772	277,206	284,886	236,456
					<u>284,772</u>	<u>277,206</u>	<u>284,886</u>	<u>236,456</u>

Subsequent to the year end, on 15 August 2010 the repayment schedule of TFC was amended so that the redemption amount which was earlier repayable on 15th August 2010 is extended for a period of 45 days i.e. upto 30th day of September. However the mark-up was received by the due date i.e. 15 August 2010.

	Note	2010 Rupees	2009 Rupees
10. LOANS AND ADVANCES - UNSECURED			
Considered Good			
Current Portion of Long-Term Receivables from Related Parties	7	500,000	1,500,000
Current Portion of Long-Term Loan	8	972,458	339,466
Advance to Employees		27,000	-
		<u>1,499,458</u>	<u>1,839,466</u>
11. PREPAYMENTS, INTEREST ACCRUED AND OTHER RECEIVABLES - CONSIDERED GOOD, UNSECURED			
Prepayments	11.1	1,122,940	100,267
Accrued Mark-Up on Investments		14,740	16,874
Accrued Mark-up on Saving Accounts		49,006	46,939
Others		34,117	8,720
		<u>1,220,803</u>	<u>172,800</u>
11.1 This includes Rs. 1,000,000/- prepaid as license fee for the year 2011 and 2012			
12. REMUNERATION DUE FROM FUNDS UNDER MANAGEMENT			
Open-End Fund			
Dawood Money Market Fund		293,429	-
Dawood Islamic Fund		269,448	443,204
		562,877	443,204
Closed-End Fund			
First Dawood Mutual Fund		768,377	1,288,756
		<u>1,331,254</u>	<u>1,731,960</u>
13. BANK BALANCES			
Cash at Bank:			
Current Accounts		101,609	131,303
Saving Accounts	13.1	3,921,468	1,035,056
		<u>4,023,077</u>	<u>1,166,359</u>
13.1 This includes Rs. 3,912,501/- in saving account maintained with a related party, which was blocked due to incomplete documentation subsequent to the year end, the documentation requirement has been fulfilled and the bank account has been unblocked. These carry mark-up ranging between 4% to 12% (2009: 4% to 6.5%) per annum.			

14. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

No. of Shares		Note	2010	2009
2010	2009		Rupees	Rupees
10,000,000	10,000,000		100,000,000	100,000,000
4,973,750	4,973,750		49,737,500	49,737,500
<u>14,973,750</u>	<u>14,973,750</u>		<u>149,737,500</u>	<u>149,737,500</u>

14.1 The Shares Held by Related Parties are as Follows:

First Dawood Investment Bank Limited	4,492,125	4,492,125
BRR Guardian Modaraba	1,935,505	1,935,505
	<u>6,427,630</u>	<u>6,427,630</u>

15. DEFERRED TAX LIABILITY - NET

Taxable Temporary Differences on:

Accelerated Tax Depreciation	15.1	-	55,000
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15.1 Deferred tax asset amounting to Rs. 4,886,585/- (June 30, 2009: Rs. 4,193,244/-) has not been recognised in these financial statements as the Company is of the view that it is not probable that sufficient taxable profit will be available in the foreseeable future against which deductible temporary differences, unused tax losses and unused tax credits can be utilised. The accumulated loss as at June 30, 2010 amounts to Rs. 13,187,819/- (2009: Rs. 12,137,839/-).

16. ACCRUED AND OTHER LIABILITIES

Accrued Expenses	9,690,041	8,967,167
Unclaimed Dividend	998,742	1,029,504
Bonus to Employees	1,630,750	1,630,750
	16.1 <u>12,319,533</u>	<u>11,627,421</u>

16.1 The above includes payable to related parties Rs. 6,781,907/- (2009: Rs. 3,923,741/-).

17. CONTINGENCY

17.1 The Additional Commissioner of Income Tax (ACIT) has amended the assessment order under section 122(5A) of the Income Tax Ordinance, 2001, resulting in an additional tax of Rs. 1,004,786/-, Rs. 819,775/- and Rs. 1,732,776/- for tax years 2003, 2004 and 2005 respectively. 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.

18. INVESTMENT INCOME

Equity investments		
Gain on Sale of Investments	11,346,542	1,386,351
Dividend Income	500,000	803,099
	<u>11,846,542</u>	<u>2,189,450</u>
Other Investments		
Return on Fund Placement	-	13,973
Return on Term Finance Certificates	39,839	4,058,482
	<u>39,839</u>	<u>4,072,455</u>
	<u>11,886,381</u>	<u>6,261,905</u>

	Note	2010 Rupees	2009 Rupees
19. MANAGEMENT FEE			
Open-End Funds			
Dawood Money Market Fund - An Associate		5,835,514	5,271,599
Dawood Islamic Fund - An Associate		5,149,880	5,810,797
		10,985,394	11,082,396
Closed-End Funds			
First Dawood Mutual Fund - An Associate		13,613,214	17,388,885
		24,598,608	28,471,281

19.1 Under the provisions of the NBFC Regulations and the NBFC Rules, 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, 2010 the Company has charged the management fee at the rates ranging from 1 to 3 percent (June 30, 2009: 1 to 3 percent). The rates charged to each fund during the year ended June 30, 2010 and 2009 are as under:

	Note	2010 Rumuneration For Services Rendered as an Asset Management Company Percentage	2009 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	19.1.1	2 - 3	3

19.1.1 As per NBFC Regulations, the Company was entitled to and charged remuneration of 3% of the average annual net assets of the Fund during the first five years of its existence and thereafter i.e. with effect from 28 January 2010 an amount equal to 2% in order to comply with the aforesaid regulations.

	Note	2010 Rupees	2009 Rupees
20. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and Allowances	20.1 & 20.2	18,230,463	20,187,397
Rent, Rates and Taxes		1,601,784	1,141,716
Postage and Telephones		520,581	654,094
Legal and Professional Charges		2,982,830	3,126,942
Consultancy Fee		-	6,057,576
Printing and Stationery		312,339	361,391
Travelling and Conveyance		812,101	411,934
Vehicles Running		1,525,448	1,227,327
Advertisement		166,057	359,808
Electricity		688,879	375,573
Repairs and Maintenance		1,096,467	757,150
Auditors' Remuneration	20.3	448,611	393,000
Entertainment		295,377	615,580
Insurance		290,984	451,669
Depreciation		1,038,565	1,522,366
Newspapers, Magazines and Subscriptions		638,231	1,142,261
Directors' Fee		80,000	23,000
Marketing Expense		45,577	3,107,774
Donation	20.4	200,786	786
Others		399,104	217,109
		31,374,184	42,134,453

20.1 This includes Rs. 814,198/- (2009: Rs. 685,108/-) representing contributions to staff retirement benefits.

20.2 Remuneration of Chief Executive, Directors and Executives

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial Remuneration	3,200,000	-	1,950,000	3,200,000	-	2,136,000
House Rent	1,280,000	-	780,000	1,280,000	-	854,400
Bonus	-	-	-	800,000	-	-
Medical	369	-	36,000	4,106	-	24,000
Utilities	320,000	-	195,000	320,000	-	213,600
Provident Fund	320,004	-	195,002	320,004	-	159,996
E.O.B.I	-	-	6,480	-	-	4,320
Meeting Fee	-	80,000	-	-	37,000	-
	5,120,373	80,000	3,162,482	5,924,110	37,000	3,392,316
Number of Persons	1	6	2	1	6	4

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	2010 Rupees	2009 Rupees
20.3 Auditors' Remuneration			
Audit Fee		250,000	200,000
Certification Fee		60,000	30,000
Fee for Half-Yearly Review		100,000	120,000
Out of Pocket Expenses		38,611	43,000
		448,611	393,000

20.4 No director or his/her spouse had any interest in the donee.

21. FINANCIAL CHARGES

Mark-Up on Short-Term Running Finance		144,994	986,158
Mark-Up on Short-Term Borrowings	21.1	-	8,668,177
Bank Charges		6,692	16,141
		151,686	9,670,475

21.1 Include mark up to related parties amounting to Nil (2009: Rs. 7,468,930/-).

22. OTHER OPERATING INCOME

Gain on Disposal of Operating Fixed Assets		13,475	429,977
Mark-Up Earned on Saving Accounts		105,118	240,769
Mark-Up Earned on Long-Term Loan		260,452	199,070
Liability no Longer Payable Written Back	22.1	4,519,920	1,850,464
		4,898,965	2,720,280

22.1 Includes a liability with a related party amounting to Rs. 4.155 million which is no longer payable and has been written back

	Note	2010 Rupees	2009 Rupees
23. SHARE OF ASSOCIATES' LOSS			
Dawood Money Market Fund		(216,615)	(2,170,089)
First Dawood Mutual Fund		(5,451,613)	(33,606,792)
		<u>(5,668,228)</u>	<u>(35,776,881)</u>

24. TAXATION

Numerical reconciliation between the average effective tax rate and the applicable tax rate has not been presented in these financial statements due to taxable loss during the year.

**25. LOSS PER SHARE
- Basic and Diluted**

Loss for the Year		<u>(156,421)</u>	(102,529,852)
		----- No of Shares -----	
Weighted Average Number of Ordinary Shares		<u>14,973,750</u>	14,973,750
		----- Rupees -----	
Loss per Share - Basic and Diluted		<u>(0.01)</u>	(6.85)

26. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of Transactions	2010 Rupees	2009 Rupees
Mutual Funds Managed by the Company	Management Fee Charged	24,598,608	28,471,281
	Management Fee Received	24,999,315	32,301,607
	Redemption of Units	-	42,991,497
	Bonus Units	-	3,082,401
	Investment in Units	-	23,068,316
	Recovery of Formation Costs	1,500,000	1,500,000
	Payment of Formation Costs	-	1,000,000
Major Shareholders	Share of Common Expenses	-	1,674,088
	Funds Borrowed	-	15,000,000
	Repayment of Borrowings	24,560,044	40,439,956
	Financial Charges on Borrowings	464,286	3,323,617
	Disposal of Investments	24,659,287	-
	Liability No Longer Payable Written Back	4,519,920	-
Others	Share of Common Expenses	6,504,314	7,146,012
	Purchase of Shares	-	225,000
	Consultancy Fee Paid	-	246,100
	Purchase of Operating Fixed Assets	29,500	-

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

27. FINANCIAL RISK MANAGEMENT POLICIES

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

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

27.1 Market Risk

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

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

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

27.1.1 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.

27.1.2 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, 2010				
Long-Term Investments	-	-	137,369,985	133,764,566
Long-Term Receivables from Related Parties	-	-	1,615,000	1,615,000
Long-Term Deposits	-	-	31,000	31,000
Term Finance Certificate	277,206	-	-	277,206
Listed Shares and Close-End Funds	-	-	5,447,601	5,447,601
Loans and Advances	-	972,458	527,000	1,499,458
Remuneration Due from Funds Under Management	-	-	1,331,254	1,331,254
Bank Balances	3,921,468	-	101,609	4,023,077
	4,198,674	972,458	146,423,449	147,989,162
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	236,455	-	-	236,455
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	-	339,466	1,500,000	1,839,466
Remuneration due from Funds Under Management	-	-	1,731,960	1,731,960
Bank Balances	1,035,056	-	131,303	1,166,359
	1,271,511	3,886,646	180,350,822	185,508,979

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. 21,031 for the year ended June 30, 2010. 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.

27.1.3 Price Risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

As at 30 June 2010, the fair values of marketable securities exposed to price risk are as follows:

	Note	2010 Rupees	2009 Rupees
Exposure classified as 'available for sale'		5,724,807	32,039,802

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

27.2 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, 2010 is as follows: -

	June 30, 2010		June 30, 2009	
	Statement of Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
	Rupees			
Long-Term Investments	133,764,566	133,764,566	143,038,213	143,038,213
Long-Term Receivables from Related Parties	1,615,000	1,615,000	2,115,000	2,115,000
Long-Term Loan	-	-	3,207,714	3,207,714
Long-Term Deposits	31,000	31,000	31,000	31,000
Investments - Available for Sale	5,724,807	5,447,601	32,039,802	31,803,346
Loans and Advances	1,499,458	1,499,458	1,839,466	1,839,466
Interest Accrued and Other Receivables	1,220,803	1,220,803	172,800	172,800
Remuneration Due from Funds Under Management	1,331,254	1,331,254	1,731,960	1,731,960
Bank Balances	4,023,077	4,023,077	1,166,359	1,166,359
	<u>149,209,965</u>	<u>148,932,759</u>	<u>185,342,314</u>	<u>185,105,858</u>

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

	2010 Rupees	2009 Rupees
Term Finance Certificates	<u>277,206</u>	<u>236,456</u>
	<u>277,206</u>	<u>236,456</u>

27.3 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.

	On Demand	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, 2010	Rupees					
Accrued and Other Liabilities	12,319,533	-	-	-	-	12,319,533
	<u>12,319,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,319,533</u>

	On Demand	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, 2010	Rupees					
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	11,577,421	-	-	-	-	11,577,421
Accrued Mark-Up on Borrowings	-	252,068	-	464,286	-	716,354
	<u>11,577,421</u>	<u>252,068</u>	<u>-</u>	<u>31,927,138</u>	<u>-</u>	<u>43,756,627</u>

27.4 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. 139.573/ million against the minimum required equity of Rs. 130 million set by the Securities and Exchange Commission of Pakistan for the Non Banking Finance Company providing Asset Management Services and Investment Advisory Services for the year ended 30 June 2010.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

- Level 1 : Quoted prices in active markets for identical assets or liabilities.
- Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	June 30, 2010			June 30, 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Available-for-Sale Investments	5,744,601	277,206	-	31,803,346	236,456	-
	<u>5,744,601</u>	<u>277,206</u>	<u>-</u>	<u>31,803,346</u>	<u>236,456</u>	<u>-</u>

29. AUTHORIZATION

These financial statements were authorised for issue in Board of Directors meeting held on October 4, 2010.

30. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2010

No. of Share Holders	Share Holding		Total Shares Held
	From	To	
107	1	100	3,156
166	101	500	33,930
176	501	1,000	127,782
117	1,001	5,000	265,924
29	5,001	10,000	200,927
13	10,001	15,000	146,175
5	15,001	20,000	82,430
4	20,001	25,000	90,670
3	25,001	30,000	85,896
2	30,001	35,000	63,026
3	35,001	40,000	114,258
2	95,001	100,000	193,348
3	115,001	120,000	352,779
1	125,001	130,000	129,228
1	140,001	145,000	142,046
1	170,001	175,000	171,826
1	385,001	390,000	389,317
1	400,001	405,000	401,478
1	435,001	440,000	435,499
1	445,001	450,000	448,930
1	565,001	570,000	567,613
2	655,001	660,000	1,318,845
1	660,001	665,000	663,832
1	740,001	745,000	741,199
1	1,375,001	1,380,000	1,376,006
1	1,935,001	1,940,000	1,935,505
1	4,490,001	4,495,000	4,492,125
645			14,973,750

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2010

Categories of Share Holder's	No. of Share Holders	Total Shares Held	Percentage
Individuals	614	5,399,935	36.06
Investment Companies	2	11,049	0.07
Joint Stock Companies	18	1,248,873	8.34
Financial Institution	8	5,719,043	38.19
Modaraba Companies	1	1,935,505	12.93
Govt. Organizations	1	500	0.00
Others	1	658,845	4.40
	645	14,973,750	100.00



**PATTERN OF SHARE HOLDING
AS AT JUNE 30, 2010**

S. No.	Cetrogies of Shares Holders	Numbers	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	665,031	4.44
	National Bank of Pakistan Trustee Deptt.		663832	4.43
	Investment Corporation of Pakistan		500	0.00
	IDBP (ICP UNIT)		699	0.00
3	Directors, CEO and their Spouses and Minor Childern			
	Miss Tara Uzra Dawood	1	1,376,006	9.19
4	Banks, DFIs, NBFIs, Insurance Companies, Modarabas			
	Joint Stock Companies and Mutual Funds etc.	26	2,841,154	18.97
5	Share 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



**DAWOOD
FORM OF PROXY
XIX ANNUAL GENERAL MEETING**

Annual Report 2010

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 **XIX Annual General Meeting** of the Company to be held on October 26, 2010 at 9:30 hours and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2010, 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 20, 2010 to October 26, 2010 (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.