



CONTENTS

Corporate Information	2
Mission/Vision Statement	3
Board of Directors	4
Key Management Personnel	5
Notice of Meeting	6
Financial Highlights	7
Directors' Report	8
LADIESFUND[®] Entrepreneurship Conference 2010	16
LADIESFUND[®] Women of Influence Luncheon Series	17
LADIESFUND[®] Launch of Magazine	18
3rd LADIESFUND[®] Women's Entrepreneurship Awards 2011	19
Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2011	20
Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance	22
Auditors' Report to the Members	23
Balance Sheet	24
Profit & Loss Account	25
Statement of Comprehensive Income	26
Cash Flow Statement	27
Statement of Changes in Equity	29
Notes to the Financial Statements	30
Pattern of Shareholding	49
Form of Proxy	51



CORPORATE INFORMATION

Board of Directors	Miss Tara Uzra Dawood Mr. Masood A.S. Wahedna Mr. Nazimuddin Feroz Syed Shabahat Hussain Mr. Gul Nawaz	Chief Executive Officer/Acting Chairperson Director (Nominee of BoK) Director (Nominee of BRRGM) Director (Nominee of NIT) Director
Chief Financial Officer & Company Secretary	Syed Kabiruddin	
Audit Committee	Mr. Gul Nawaz Mr. Masood A.S. Wahedna Syed Shabahat Hussain	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	Habib Metropolitan Bank Limited Burj Bank Limited (Formerly Dawood Islamic Bank Limited) Bank AL Habib Limited Oman International Bank S.A.O.G.	
Registered Office	5B Lakson Square Building #1 Sarwar Shaheed Road Karachi 74200 Tel: (92-21) 3562-1001-6 Fax: (92-21) 3562-1010 E-mail: dcm@edawood.com Website: www.edawood.com	
Registrars	F.D. Registrar Services (SMC-Pvt.) Ltd. Office #1108, 11th Floor, Trade Centre, I. I. Chundrigar Road, Karachi 74000	
Rating	PACRA: AM3-	

Mission/Vision Statement

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

BOARD OF DIRECTORS



Mr. Gul Nawaz

Mr. Nawaz is an M. Com and a Senior Investment Analyst of the Asset Management Department of National Investment Trust Limited (NIT). He has extensive experience in equity trading, equity research and as Non-Executive Director of the Board of Directors of leading listed public limited companies.



Mr. Masood A. S. Wahedna

Mr. Masood has a vast local and global experience of managing and running Treasury and FI Desk currently holding the position of Divisional Head, Treasury & Investments at The Bank of Khyber. Prior joining Bank of Khyber, he had an experience as a Head of Trading at Global Capital Partners FZ LLC and Manager Treasury at ORIX Investment Bank Ltd.



Mr. Nazimuddin Feroz

Mr. Feroz is a highly experienced Industrialist. He has worked as Director for Efroze Chemical Industries and Maple Pharmaceutical (Pvt.) Ltd., since inception. He has also worked as registered partner for several other firms.



Syed Shabahat Hussain

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



Ms. Tara Uzra Dawood, Chief Executive Officer

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. 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 & Money and Children & 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.

KEY MANAGEMENT PROFILE



Ms. Tara Uzra Dawood, Chief Executive Officer

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. 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 & Money and Children & 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.



Syed Kabiruddin, CFO & Company Secretary

Syed Kabiruddin is qualified Cost & Management Accountant and Corporate Secretary. He has over 20 years of professional experience including 15 years of post qualification experience. His core responsibilities include Financial Management & Reporting, Taxation, Finalization of Accounts and Budgeting and Secretarial work.



Mr. Muhammad Abbas, Fund Manager Fixed Income

Mr. Muhammad Abbas is Master of Business Administration (Finance) with well over 13 years of professional experience in financial institutions with 6 years in Asset Management Industry. He is associated with FDG for over 12 years. His expertise include management of fixed income & Money Market portfolios of the funds.



Mr. Muhammad Aslam, Fund Manager Equity

Mr. Aslam has a vast experience of over 25 years in the stock markets with 7 years of equity portfolio management. Prior to joining DCM, he has worked with renowned houses.



Mr. Mustansir Shabbar, Head of Customer Services

Mr. Mustansir is Master of Computer Science and Master of Public Administration (Finance) from Karachi University and associated with DCM for over 7 years. He has expertise in customer services and working as a key member for every DCM Funds since inception.



Mr. Irfan Abdullah, Head of Information Technology

Mr. Irfan is Masters in Information Technology from Hamdard University and Microsoft Certified in Enterprise Administration with over 10 years of professional experience in managing IT infrastructures. His expertise is Networking, Data Communication, Business Continuity Planning and Recovery.



NOTICE OF ANNUAL GENERAL MEETING (AGM XX)

Notice is hereby given that the 20th AGM of the shareholders of the Company will be held on Monday October 17, 2011 at 12:30 p.m. at the registered office at 5-B, 5th Floor, Lakson Square Building #1, Sarwar Shaheed Road, Karachi to transact the following business:

Ordinary Business:

1. To confirm the Minutes of 19th AGM held on October 26, 2010.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2011 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

September 26, 2011
Karachi

Syed Kabiruddin
Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from October 11, 2011 to October 17, 2011 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at Office #1108, 11th Floor, Trade Centre, 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

	2011	2010	2009	2008	2007	2006	2005	2004
	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	149.74	136.13	121.00	110.00	100.00	100.00
Shareholders' Equity	149.05	149.41	153.32	392.69	259.06	199.07	157.80	142.40
Total Assets	161.66	161.73	197.18	512.90	347.45	259.11	259.40	187.06
Short-Term Investment in Securities	4.81	5.72	32.04	267.78	131.56	105.01	223.46	164.86
Short-Term Investment in Deposits	-	-	-	15.00	-	-	15.00	-
Income From Investments	0.04	11.89	6.26	16.49	12.25	15.28	21.43	16.58
Management Fee	19.72	24.60	28.47	67.70	38.48	29.90	14.93	6.06
Other Income	2.22	4.90	2.72	0.45	0.54	0.40	6.85	1.53
Impairment Against Investment	(8.02)	(4.27)	(52.06)	-	-	-	-	-
(Loss)/Profit Before Taxation	(0.15)	(0.08)	(102.19)	23.86	42.67	42.65	21.11	6.85
Taxation	0.22	0.07	0.34	3.53	(1.27)	4.56	4.52	1.95
(Loss)/Profit After Taxation	(0.37)	(0.16)	(102.53)	20.33	43.94	38.09	16.59	4.90
Book Value Per Share	9.96	9.98	10.24	28.87	21.41	16.45	15.78	14.24
Loss/Earnings Per Share	(0.02)	(0.01)	(6.85)	1.49	3.63	3.15	1.51	0.49



DIRECTORS' REPORT

The Board of Directors of **Dawood Capital Management Ltd.** ("DCM" or the "Company") is pleased to present the nineteenth annual report and the audited financial statements of the Company for the year ended June 30, 2011. 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, 2011	June 30, 2010
Rupees.....	
Investment Income	42,698	11,886,381
Management Fees	19,718,450	24,598,608
Other Operating Income	2,218,628	4,898,965
Gross Revenue	21,979,776	41,383,954
Administration and Operating Expenses	27,171,903	31,374,184
Financial Charges	6,681	151,686
Total Expenses	27,178,884	31,525,870
Share of Associates' Profit/(Loss)	13,075,947	(5,668,228)
Impairment Against Investments	(8,023,425)	(4,273,757)
Loss Before Taxation	(146,586)	(83,901)
Loss After Taxation	(365,585)	(156,421)

The Company's Net Loss during the period stood at Rs. 0.37 million as compared to Rs. 0.16 million in the same period last year. The total expenditures were reduced to Rs. 27.17 million in comparison to Rs. 31.37 million representing 13.39% reduction in Administrative and operating expenses. Share of Associates' Profit was Rs. 13.08 million as opposed to Loss of Rs. 5.67 million in the same period last year, due to increase in the value of NAV of the Funds. The aforementioned income is attributed primarily from the management Fee of the Funds. In other words, the company's lean structure and care with expenditure ensured an increase in profits and thus your shareholder value, despite many industry challenges.

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.
- 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 except as disclosed below:
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

DIRECTORS' REPORT

- 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	392,452	-	-
Directors	-	-	-

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) maintained a rating of AM3-.

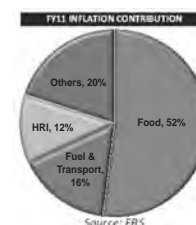
Overall Economic Scenario

Pakistan's Economy

This year Pakistan's economy went through a rollercoaster owing to economic challenges and reparations. The disastrous floods in early FY11 caused a substantial loss to the economy due to which country's GDP growth remained 2.4% in FY11, much lower than the initial target of 4.5%. Worsening power crisis and the elephant size circular debt also deterred the economy, already pressurized by increasing POL prices and power tariffs during FY11.

Headline Inflation

According to the Federal Bureau of Statistics (FBS), average headline inflation remained slightly below revised estimate of 14.0%. Inflationary pressures during May-June 2011 remained muted due to a significant decline in perishable food item prices (10.1% fall) and lower international commodity prices (especially crude oil) on fears of a global slowdown in economic growth. Thus, average CPI inflation for the fiscal year came at 13.9%, slightly below government's revised estimate of 14.0%.



Food and Energy Prices and FY11 CPI Inflation

Retail inflation in FY11 was mainly driven by higher food and energy prices with food, fuel and lighting and transport and communication groups contributing 68% to average inflation during the year. Food prices increased by 17.9% on average during the fiscal year, initially due to supply shocks created by widespread floods early in the year and later because of an uptick in global prices. While energy prices were driven higher by upward revision in electricity rates and significant jump in retail fuel prices.

Headline and Non-Food Non-Energy (NFNE) Core Inflation

Though headline inflation depicted a stable trend during the last few months of FY11, NFNE core inflation started to accelerate, rising from 9.20% in February to 10.40% in June. The above indicates a shift in inflation drivers from food and energy to other groups. There are two reasons: 1) a prolonged and significant increase in food and energy prices is feeding into other prices; 2) after remaining subdued for the last several months, HRI inflation started picking up now.

Improvements in External Accounts

Current account for FY11 has posted a surplus of USD 542mn (+0.3% of GDP) showing a considerable improvement over a deficit of US\$ 3.9 billion (-2.2% of GDP) last year. The surplus came after long 7 years of wait. This was mainly on account of a 26% YoY growth in exports and a 29% YoY jump in workers' remittances. Strong growth

DIRECTORS' REPORT

in external flows consequently marks underlying improvement, which helped in building the foreign exchange reserves above ~US\$18 billion. However despite this remarkable growth the balance of trade recorded a deficit of USD 12.3 billion (against USD 13.2 billion) as imports augmented by 14% YoY to USD 35.64 billion during the period.

Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) has declined for the third consecutive year. The Foreign Direct Investments (FDI) posted a YoY decline of 27% (USD 1.57 billion in FY11) however portfolio investment (PI) recorded an inflow of USD 0.35 billion against a net outflow of USD 0.06 billion last year. This is in keeping with a sluggish economic environment where GDP growth has averaged just 2.9% since FY08.

Tax Collection

FY11 revised tax collection target was PKR1,588billion, down from initially set target of PKR 1,667 billion. This curtailment was in the view of fiscal deficit likely to surpass the government original target of 4.7% of the GDP. Despite austere measure taken throughout the year, the final numbers shows worrisome facts. Overall tax collection shows a mere 10% YoY increase.

Outlook

The local economy remains largely immune to the emerging problems in the US/EU, in the wake of rising fiscal troubles in the US and risk of sovereign defaults in the EU.

The government has set a GDP growth target of 4.2% for FY12, which is close to the original target for FY11, and is based mainly on the benefit to be derived from low-base effect of agricultural and industrial growth.

Government has set the tax collection target for FY12 of PKR 1,952 billion (+22.9% Y/Y over and above revised FY11 target). Nominal GDP growth of 16.2% (12% inflation + 4% real GDP growth) also suggests that these are highly ambitious numbers. Therefore, if the government is serious about achieving this target for FY12, they have to follow the slogan "all income is subject to tax" and it would have to be done through sheer political will to include untapped sectors like agriculture income in the tax net.

Inflation to pick-up in July-August before declining later in the year. We expect CPI inflation to rise to 15.0-16.0% in July-August, due to upcoming revision in utility prices as well as onset of Ramadan, when food prices increase by 5.0-10.0% on an average. However, beyond that, we expect inflation to gradually decline to 11.0-12.0% by December. We estimate CPI inflation to average at 12% during FY12.

Though we expect gradual abatement in inflationary pressures in FY12, any decline in interest rates would depend upon the size of the fiscal deficit and its funding mix. Due to persistence of double digit inflation and some acceleration in real GDP growth, nominal GDP is estimated to increase by 16.5% in FY12.

Foreseeing a current account deficit in FY12 and hence plugging in the deficit gap will be laid on financial account. However, we doubt that the financial inflows in FY12 would be enough to bridge the void left by current account deficit. We fear that financial inflows may not exceed USD 2 billion, owing to global economic slowdown, political and economic turbulences. Monetization of funds under military aid (expected aid of USD 2.4 billion per year); Coalition Support Fund (CSF) and most importantly through IMF SBA will render support to overall balance of payment.

Stock Market Review

FY11 AT A GLANCE

FY11 came to an end with Benchmark KSE-100 Index starting with 9,721.91 point and closing at 12,496.03 points, recording an impressive gain of 28.53%. During the period the Index remained highly volatile as it moved in the range of 9,516 and 12,681 points. FY11 was the tale of two halves for KSE. The best performing half during FY11 remained 1HFY11 where the index registered a gain of 23.66%, as the index closed at 12,022.46 on December 31st,



DIRECTORS' REPORT

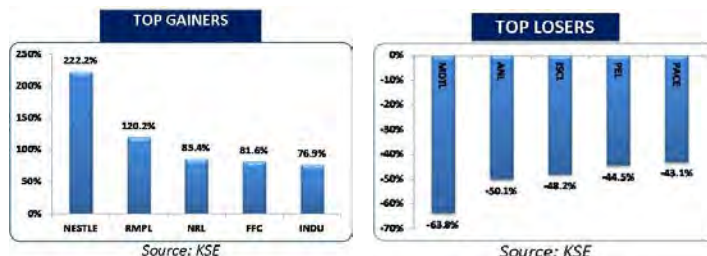
2010 with better trading activity. However, 2HFY11 remained lackluster as index dropped to 11,223 levels by end of February 2011. Investor activity at the local bourse remained subdued. This was due to imposition of Capital Gain Tax (CGT) from FY11, which dried up the interest of individual investors from the market.

The local stock market is trading at a PE of 7.22x for 2012, while average regional markets holding a PE multiple of 12.27x. The widened discount between local and regional indices against historic discount of 38% evidently shows the lack of investors' confidence. This was driven by factors like MSCI holding back Pakistan's advancement as Emerging Markets, uncertain political and economic environment in the country furthermore strained relations with the IMF and US. Moreover, the country's security situation harshly impacted the market, keeping foreign investors away.



Major Gainers and Losers

Nestle Pakistan recorded the highest gain as its price appreciated by 3.25 times in FY11 to reach PKR 5,475/share, as the scrip witnessed substantial foreign interest. This phenomenal rise has increased the weightage of Nestle in the Benchmark Index to 8.15% in FY11, compared to 3.1% a year back. This has included Nestle into stocks, which move the index considerably. It is followed by Rafhan Maize which rose by 82.3% YoY during the period. On the other hand, the major losers were Media Times, Azgard Nine and JSCL which were down by 63.8%, 50.1% and 48.2% respectively.



Volumes at Dangerously Low Levels

FY11 turned out to be the driest year in terms of market liquidity in past nine years. The market recorded average daily volume of 94.5mn shares during FY11, a 41.2% YoY drop, when compared with the average turnover of 162mn shares during FY10. This was mainly due to significantly reduced retail participation because of: 1) an unattractive leverage product with heavy cash margin requirements and high interest rates; 2) cumbersome CGT calculation and filing procedures.

Foreigners Remained on the Back Foot

The overall foreign investment witnessed a decline notably starting from Feb'11 on the back of bleak macroeconomic fundamentals like rising interest rates, political upheaval and law and order woes. Highest net outflow of USD 41.21mn was witnessed during the month of Jun'11. Foreigners by June 14, 2011 hold USD 2.035 billion worth of securities under Special Convertible Rupee Account (SCRA). With the economy jinxed from all the corners, the equity market caught similar waves with depressed volumes and decline in foreign portfolio inflows.

FY12 Market Outlook

Unlike the last two years when local markets were led by overseas participation, we expect limited foreign buying at local bourses in the FY12. We believe a more important driver would be government's fiscal policy. Other positive triggers could be: a) increase in weightage of KSE in MSCI FM index; b) any procedural relaxation on CGT front; and c) change in modalities of the leverage product.

DIRECTORS' REPORT

Following an extreme rout in the global equity markets in the wake of rising fiscal troubles in the US and risk of sovereign defaults in the EU, the local bourses have also gone into a tailspin. We see it as an accumulation opportunity for savvy investors as the local economy remains largely immune to the emerging problems in the US/EU.

The deep discount may be an attraction for foreign investors, post Euro crisis. We expect corporate profitability to increase by 14% in 2012 amid highest dividend yield in the region which may be the foremost attraction for foreign investors.

Money Market Review Interest Rates

The year started with a 0.50 bps hike in interest rates to 13% by SBP in its first MPS for FY11 in July 2010. In the next two policy statements till Nov-10, SBP followed the same strategy of rising interest rate by 0.50 bps each time to reach at 14%. The rationale behind hikes were concerns of high inflation, along with larger than expected fiscal deficit, government borrowing, major fiscal hurdles, power sector problems, which have been overshadowing the improvements in Current Account Deficit (CAD) and economic recovery.

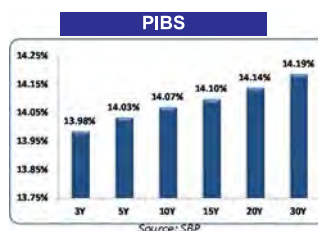
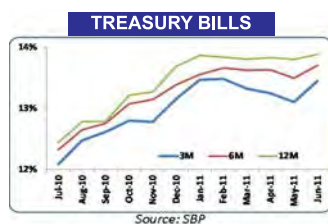
After third increase, SBP maintained its policy rate at 14% in its consecutive two MPS till Jun-11. This pause in rate increase could be described by agreed lower governmental borrowings and expenditures and improvements in external accounts.



Treasury Bills & PIBs

SBP conducted 26 auctions during the FY11. The weighted average yields on 3, 6 & 12 months reached to 13.45%, 13.70% & 13.89% respectively in Jun-11. This was mainly due to the increasing policy rates, inflationary pressures, increased governmental borrowings & expenditures and most importantly greater banking participation rather than to release funds to corporate sectors. Increasing investors' interest in government papers due to defaults of corporate sectors with increasing interest rates coupled with the launch of government securities funds also contributed in the rising trend.

Same trend was seen in the PIBs where 10Y and 20Y bonds issued at 14.01% and 14.14% respectively.



Debt Market Review

Similar to FY10, debt market remained under pressure throughout the FY11 also. Downgrading and downward valuation continues 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 especially in income funds. With the launch of few money market and government securities funds with 70%-80% investments in T-Bills, industry is now attracting new investors with increasing yields.

6M KIBOR

6M KIBOR showed an increasing trend with increasing policy rates by SBP in 1HFY11 till Jan-11 where SBP

DIRECTORS' REPORT

maintained the policy rate. 6M KIBOR showed a stable trend in 2HFY11 in line with SPB policy rate till Jun-11. Increasing KIBOR rates caused uncertainty in the private and public sector industries where issuers of debts faced difficulties in paying interests on borrowings and maintaining liquidity with increasing inflation.

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, a casual vacancy occurred in the Board on July 06, 2010 which was filled on the same day. Two other casual vacancies occurred on February 17, 2011, which, we are in the process of filling.

Currently, the Company has five directors out of which four are non-executive directors.

Board of Directors Meetings

During the year, five meetings were held on July 06, October 04, October 26 in 2010, February 17 and April 27 in 2011. Following is the attendance table: -

S. No.	Name	Designation	Entitlement to Attend Meeting	Leave of absence
1.	Ms. Tara Uzra Dawood	Chief Executive	5	-
2.	Mr. Gul Nawaz	Director	5	-
3.	Syed Shabahaat Hussain	Director	5	-
4.	Mr. NazimuddinFeroz	Director	5	3
5.	Mr. AVM (Retd.) Zulfiqar Shah**	Director	4	1
6.	Mr. Masood A. S. Wahedna*	Director	4	1
7.	Mr. Feroze Sayeed-ud-Deane **	Chairman	4	2
8.	Mr. Iftikhar Hussain **	Director	1	1

* Appointed During the Year

** Resigned During the Year

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. Gul Nawaz	Chairman
Mr. Masood A. S. Wahedna	Member
Syed Shabahaat Hussain	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).

DIRECTORS' REPORT

Human Resource Training and Development

Employees are an investment for the company. Hence, several significant initiatives have been taken during the year to improve upon the hiring including retention and work environment related issues, grooming of skills to match with the changing business needs, induction of qualified and experienced professionals. Training and Human Resource Development continues to be of prime importance in 2011-12.

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. 5,169,957/- in the provident fund scheme.

Auditors

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being external auditor of Company is eligible for next year but they are not offering themselves for next year. As required under the Code of Corporate Governance the Audit Committee has recommended the appointment of M/s. BDO Ebrahim & Co., Chartered Accountants, as auditors for the year ending June 30, 2012.

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.



DIRECTORS' REPORT

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, 2011 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**

**September 7, 2011
Karachi**

Chairperson

LADIESFUND[®]
ENTREPRENEURSHIP CONFERENCE

EDUCATIONAL INITIATIVE

LADIESFUND[®] Entrepreneurship Conference 2010

Almost 700 people including dignities, celebrities, heads of corporates and over 300 students, attended the LADIESFUND[®] ENTREPRENEURSHIP CONFERENCE 2010 held at Avari Towers, Karachi.

Organized by Dawood Capital Management Ltd. in partnership with Avari Group and sponsored by Nokia, FWBL, HOML, GSK and Domino's with the support of over 65 leading entrepreneur institutions of Pakistan, this milestone event featured inspiring panel style discussions with Amir Adnan, Nilofer Saeed, Muna Siddiqui, Sameera Raja, Selina Rashid and Muhammad Ali Javed (co-founder Student Biryani).

Tara Uzra Dawood, CEO of DCML and manager of LADIESFUND[®] spoke of the introduction of this educational and fundraising initiative to Pakistan and co-host Gordon James GM of Avari Group gave a brief presentation on entrepreneurial tips. Sidra Iqbal moderated and Guest of Honor included Sindh Minister for Tourism Shazia Marri and Advisor to CM Sharmila Farroqui. Funds raised went toward initiatives for women development including the building of LADIESFUND[®] Fellowship and LADIESFUND[®] Scholarship programmes.



LADIESFUND®
WOMEN OF INFLUENCE LUNCHEON SERIES

PROFESSIONAL WOMEN'S NETWORKING LUNCH
LADIESFUND® Women of Influence Luncheon Series

The British Deputy High Commission Karachi and Dawood Capital Management Ltd. co-hosted in January 2011 the LADIESFUND® Women of Influence Networking Luncheon, Pakistan's first networking lunch for professional women, which was held at Runnymede and Acton House at the British Deputy High Commission.

The focus of the lunch was to build professional friendships, mentorships and lobbying amongst professional and influential women in Pakistan. Funds generated from this event went toward women development initiatives including the LADIESFUND® Fellowship and Scholarship programmes through Dawood Global Foundation. These programmes give opportunities to women at the grassroots level.

The Chief Guest of the event, Nasreen Jalil (former Naib Nazim of Karachi) was interviewed during the event by Special Guest Dr. Ishrat Husain (former State Bank Governor Dean/Director of IBA) on women empowerment in Pakistan. 150 women professionals and entrepreneurs attended.





LAUNCH OF MAGAZINE

Dawood Capital Management Ltd. launches LADIESFUND® Magazine, Pakistan's first magazine for women professionals and entrepreneurs.

Featuring articles by leaders in their fields, this magazine provides cutting edge business advice, entrepreneurial tips, tax insight and art and culture trends. Recipes, wardrobe and exercise ideas tailored for busy, working women is also provided.

LADIESFUND® Magazine is available in both print and digital versions.



3rd
LADIESFUND®
WOMEN'S ENTREPRENEURSHIP AWARDS

CELEBRATING SUCCESS

3rd LADIESFUND® Women's Entrepreneurship Awards 2011

Dawood Capital Management Ltd., in partnership with Dawood Global Foundation™, held the 3rd LADIESFUND® Women's Awards at Mohatta Palace Museum on March 5th 2011 where 250 of the most dynamic and inspiring women in Pakistan were in attendance.

The 2011 LADIESFUND® Women's Awards winners included Professor Anita Ghulam Ali (Lifetime Achievement), fastest runner in South Asia Naseem Hameed (Entrepreneurship Idol), Rabia Gareeb (trailblazer), Rehana Hakim (momentum) and the Pakistan Women's Cricket Team (People's Choice Award for Women of the Year).

The LADIESFUND® Mishal Fellowship was awarded to Arshia Khursheed of Bawalpur and the LADIESFUND® Nadira Hyder Zaidi scholarship to Hafsa Idrees of Karachi University. A BABYFUND®-Avari-Espresso cheque was also presented to The Citizens Foundation for flood relief.

The LADIESFUND® Women's Awards are Pakistan's premier awards for women.





DAWOOD

Annual Report 2011

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2011**

This Statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No.35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

- 1) The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board comprises of five directors out of which four are non-executive directors.
- 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 directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurred in the Board on July 06, 2010 which was filled on the same day. Two other casual vacancies occurred on February 17, 2011 which have not yet been filled as the SECP did not grant approval for appointment of persons applied to fill the said casual vacancies.
- 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 (CEO) have been taken by the Board.
- 8) The meetings of the Board were chairperson 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) No orientation courses were arranged for the directors during the year. However, the Board encourages the participation of its Directors and Executives in the orientation courses to apprise them of their duties and responsibilities. The directors of the Board of the Company are individuals with vast diversified experience of the financial and corporate affairs. They are also directors in other companies and are well conversant with their duties and responsibilities. Copies of Memorandum of Association, Article of Association have been provided to them.
- 10) The Board of Directors of the Company has approved the appointment of the Chief Financial Officer (CFO) and Company Secretary including his remuneration and terms and conditions of employment as determined by the CEO.
- 11) The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of unit-holdings.
- 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. As at June 30, 2011, it comprises of 2 members, both of whom are non-executive directors including the chairman of the committee.

-
- 16) The meetings of the Audit Committee (AC) were held atleast once every quarter except that the first AC meeting was held in the second quarter on 4th October, 2010. AC meetings were held prior to approval of interim and annual results of the Company and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the Company and advised to the committee for compliance.
 - 17) The Board has outsourced its internal audit function to a firm of Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures 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 Institute of Chartered Accountants of Pakistan.
 - 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality control review programme 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 have been placed before the audit committee and approved by the board of directors of the Company.
 - 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: September 07, 2011**


**Tara Uzra Dawood
Chief Executive Officer**



DAWOOD

Annual Report 2011

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

 **ERNST & YOUNG**

■ *Ernst & Young Ford Rhodes Sidat Hyder* ■ Phone: (92-21) 3565 0007-11
Chartered Accountants Fax: (92-21) 3568 1965
Progressive Plaza, Beaumont Road Offices at Lahore & Islamabad
P.O. Box 15541 www.ey.com/pk
Karachi 75530, Pakistan

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 **Dawood Capital Management Limited** (the Company) to comply with Listing Regulation No. 35 (Chapter XI) 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 Company. 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 and report if it does not. 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 notified by the Karachi Stock Exchange vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any 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 2011.

Karachi
Date: September 7, 2011

Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS

ERNST & YOUNG

■ *Ernst & Young Ford Rhodes Sidat Hyder* ■ Phone: (92-21) 3565 0007-11
Chartered Accountants Fax: (92-21) 3568 1965
Progressive Plaza, Beaumont Road Offices at Lahore & Islamabad
P.O. Box 15541 www.ey.com/pk
Karachi 75530, Pakistan

We have audited the annexed balance sheet of **DAWOOD CAPITAL MANAGEMENT LIMITED** as at 30 June 2011 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 changes 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 2011 and of the loss, the comprehensive loss, its cash flows and changes in equity for the year then ended; and

Karachi
Date: September 7, 2011

Chartered Accountants
Audit Engagement
Partner: Omer Chughtai



DAWOOD

BALANCE SHEET

AS AT JUNE 30, 2011

Annual Report 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non-Current Assets			
Operating Fixed Assets	8	2,363,148	2,550,187
Long-Term Investments	9	143,066,066	137,369,985
Long-Term Receivables from Related Parties	10	1,115,000	1,615,000
Long-Term Deposits		34,200	31,000
		146,578,414	141,566,172
Current Assets			
Investments - Available for Sale	11	4,805,337	5,724,808
Loans and Advances	12	794,498	1,499,458
Prepayments, Interest Accrued and Other Receivables	13	678,108	1,220,802
Remuneration Due from Funds Under Management	14	2,327,114	1,331,254
Advance Tax - Net of Provision		6,069,919	6,364,582
Bank Balances	15	405,356	4,023,077
		15,080,332	20,163,981
		161,658,746	161,730,153
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital			
20,000,000 Ordinary Shares of Rs. 10/- Each		200,000,000	200,000,000
Issued, Subscribed and Paid-Up Capital	16	149,737,500	149,737,500
Unrealised Deficit on Revaluation of Available for Sale			
Investments to Fair Value - Net	11	-	(7,565)
General Reserves		33,630,264	33,630,264
Unappropriated Loss		(34,315,164)	(33,949,579)
		149,052,600	149,410,620
Current Liabilities			
Accrued and Other Liabilities	17	12,606,146	12,319,533
		161,658,746	161,730,153
Contingencies	18		

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011 Rupees	2010 Rupees
INCOME			
Investment Income	19	42,698	11,886,381
Management Fee	20	19,718,450	24,598,608
		<u>19,761,148</u>	<u>36,484,989</u>
Impairment Against Investments	21	(8,023,425)	(4,273,757)
		<u>11,737,723</u>	<u>32,211,232</u>
EXPENSES			
Administrative and Operating Expenses	22	27,171,903	31,374,184
Financial Charges		6,981	151,686
		<u>27,178,884</u>	<u>31,525,870</u>
		<u>(15,441,161)</u>	<u>685,362</u>
Other Operating Income	24	2,218,628	4,898,965
		<u>(13,222,533)</u>	<u>5,584,327</u>
Share of Associates' Profit/(Loss)	25	13,075,947	(5,668,228)
		<u>(146,586)</u>	<u>(83,901)</u>
LOSS BEFORE TAXATION			
Taxation			
- Current		218,999	127,520
- Deferred		-	(55,000)
	26	<u>218,999</u>	<u>72,520</u>
NET LOSS FOR THE YEAR		<u><u>(365,585)</u></u>	<u><u>(156,421)</u></u>
LOSS PER SHARE - Basic and Diluted	27	<u><u>(0.02)</u></u>	<u><u>(0.01)</u></u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director



DAWOOD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011**

Annual Report 2011

	2011 Rupees	2010 Rupees
Net Loss for the Year	(365,585)	(156,421)
(Deficit)/Surplus on Revaluation of Available for Sale Investments (Recognised Directly in Equity)	(919,358)	40,865
Deficit on Revaluation of Available for Sale Investments Transferred to Income Statement on Disposal	-	(8,065,999)
Deficit on Revaluation of Available for Sale Investments Transferred to Income Statement on Impairment	926,923	4,273,757
Other Comprehensive Income/(Loss) - Unrealized Gain/(Loss) on Available for Sale Investments	7,565	(3,751,377)
Total Comprehensive Loss for the Year	(358,020)	(3,907,798)

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Taxation	(146,586)	(83,901)
Adjustments for:		
Depreciation	1,015,693	1,038,565
Gain on Sale of Investments	-	(11,346,542)
Dividend Income	-	(500,000)
Return on Term Finance Certificates	(42,698)	(39,839)
Impairment Against Investments	8,023,425	4,273,757
Financial Charges	6,981	151,686
Gain on Disposal of Operating Fixed Assets	(79,917)	(13,475)
Mark-Up Earned on Saving Accounts	(55,758)	(105,118)
Share of Associates' (Profit)/Loss	(13,075,947)	5,668,228
	<u>(4,208,221)</u>	<u>(872,738)</u>
Operating Cash Flows Before Working Capital Changes	(4,354,807)	(956,639)
Decrease/(Increase) in Current Assets		
Loans and Advances	704,960	340,008
Prepayments, Interest Accrued and Other Receivables	503,622	(1,048,070)
Remuneration Due from Funds Under Management	(995,860)	400,706
	212,722	(307,356)
Increase in Current Liability		
Accrued and Other Liabilities	286,613	692,112
Long-Term Receivables from Related Parties	500,000	500,000
Long-Term Deposits	(3,200)	-
Cash Flows Used in Operations	(3,358,672)	(71,883)
Income Taxes Refunded - Net	75,663	2,073,196
Financial Charges Paid	(6,981)	(867,926)
Net cash (Used in)/Generated from Operating Activities	<u>(3,289,990)</u>	1,133,387
CASH FLOWS FROM INVESTING ACTIVITIES		
Long-Term Investments - Net	283,364	-
Proceeds from Disposal of Operating Fixed Assets	641,500	495,307
Proceeds from Redemption/Sale of Investments	114	29,636,288
Dividends Received	-	500,000
Receipt of Return on Term Finance Certificate	40,722	41,973
Receipt of Mark-Up on Saving Account	96,806	103,051
Long-Term Loan	-	3,207,714
Purchase of Operating Fixed Assets	(1,390,237)	(798,150)
Net Cash (Used in)/Generated from Investing Activities	<u>(327,731)</u>	33,186,183



	2011 Rupees	2010 Rupees
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-Term Borrowings	-	(24,560,044)
Net Cash Used in Financing Activities	<u>-</u>	<u>(24,560,044)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(3,617,721)	9,759,526
Cash and Cash Equivalents at the Beginning of the Year	4,023,077	(5,736,449)
Cash and Cash Equivalents at the End of the Year	<u>405,356</u>	<u>4,023,077</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011**

	Issued, Subscribed & Paid-Up Capital	General Reserve	Deficit on Revaluation of Available for Sale Investments	Unappropriated Loss	Total
Rupees					
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
Balance as at July 01, 2010	149,737,500	33,630,264	(7,565)	(33,949,579)	149,410,620
Loss for the Year	-	-	-	(365,585)	(365,585)
Other Comprehensive Income	-	-	7,565	-	7,565
Total Comprehensive Loss	-	-	7,565	(365,585)	(358,020)
Balance as at June 30, 2011	149,737,500	33,630,264	-	(34,315,164)	149,052,600

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director



DAWOOD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Annual Report 2011

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 5B Lakson Square Building No.1, Sarwar Shaheed 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 NBFC Rules). The Company has obtained the licenses to carry out investment advisory services and asset management services under the NBFC Rules and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

The Company has floated the following open end funds;

- Dawood Income Fund (Formerly Dawood Money Market Fund)
- Dawood Islamic Fund

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION AND MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention except for investments which are accounted for as stated in note 6.4 below.
- 3.2 These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

4. 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 -- Group Cash-settled Share-based Payment Arrangements
- IAS 32 -- Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
- IFRIC 19 -- Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

- IFRS 5 -- Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 8 -- Operating Segments
- IAS 1 -- Presentation of Financial Statements
- IAS 7 -- Statement of Cash flows Presentation of Financial Statements

IAS 17 -- Leases
 IAS 36 -- Impairment of Assets
 IAS 39 -- Financial Instruments: Recognition and Measurement

Issued in April 2010

IFRS 3 -- Business Combinations
 IAS 27 -- Consolidated and Separate Financial Statements

The adoption of the above standards, amendments/improvements and interpretations did not have any effect on the financial statements.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard or Interpretation	Effective Date (Accounting Periods Beginning on or After)
IAS 1 - Presentation of Financial Statements - Amendments to Revise the Way other Comprehensive Income is Presented	01 July 2012
IFRS 7 - Financial Instruments: Disclosures - Amendments Enhancing Disclosures about Transfers of Financial Assets	01 July 2011
IAS 12 - Income Tax (Amendment) – Deferred Taxes: Recovery of Underlying Assets	01 January 2012
IAS 19 - Employee Benefits - Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects	01 January 2013
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

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. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB Effective Date (Annual Periods Beginning on or After)
IFRS 9 – Financial Instruments	01 January 2013
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 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 8 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.

6.2 Impairment

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

6.3 Investments

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

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

The Company classifies investments in the following categories:

Investments at Fair Value through Profit or Loss

These include held for trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. All derivatives are classified as held-for-trading. These are initially recorded at cost. Derivatives with positive fair values (unrealised gains) are included in assets and derivatives with negative fair values (unrealised losses) are included in liabilities in the statement of assets and liabilities. After initial measurement, such investments are carried at fair value and the gains or losses on revaluation are recognised in the profit and loss account in the period in which they arise.

Held to Maturity

Investment with fixed maturities and fixed or determinable payments are classified as held to maturity investments when management has both the intent and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment. Premiums and discounts on investments are amortised using the effective interest rate method and taken to profit and loss account from investments.

Available for Sale

These are non-derivative financial assets that are not classified as (a) loans and receivables (b) held to maturity investments or (c) financial assets at fair value through profit or loss. After initial measurement, such investments are measured at fair value with unrealised gains or losses recognised 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 cost or break up value.

Fair values of investments are determined as follows:

Listed Shares

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

Mutual Funds' Units

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

Debt Securities

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

Government Securities

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

6.4 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.

6.5 Investment in Associates

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

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.10 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.

6.11 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.

6.12 Borrowing/Debt

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

6.13 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.

6.14 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.

6.15 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.

6.16 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.

6.17 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.

6.18 Taxation

Current

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

Deferred

Deferred tax is 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 reduced to the extent that it is no longer probable that the related tax benefit can be realized.

7. 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 6.18 and 26);
- b) Determining the Useful Lives of Operating Fixed Assets (Note 6.1 and 8);
- c) Classification of Investments (Note 6.3, 9 and 11); and
- d) Impairment of Financial Assets (Note 6.2 and 21).

8. OPERATING FIXED ASSETS

8.1 The Following is a Statement of Operating Fixed Assets:

	Cost		As at		Accumulated Depreciation			Book Value as at June 30, 2011	Rate %
	As at July 01, 2010	Addition/ (Disposal) During the Year	June 30, 2011	July 01, 2010	Charge for the Year	Disposal During the Year	June 30, 2011		
	Rupees								
OWNED									
Furniture and Fittings	761,187	201,285	962,472	520,337	83,145	-	603,482	358,990	10
Vehicles	4,587,035	-	3,851,035	2,446,061	740,281	(174,417)	3,011,925	839,110	20
		(736,000)							
Office Equipment	119,250	494,293	613,543	51,062	32,668	-	83,730	529,813	20
Computer Equipment	1,083,490	694,659	1,778,149	983,315	159,599	-	1,142,914	635,235	33
	6,550,962	1,390,237	7,205,199	4,000,775	1,015,693	(174,417)	4,842,051	2,363,148	
		(736,000)							

	Cost		As at		Accumulated Depreciation			Book Value as at June 30, 2010	Rate %
	As at July 01, 2009	Addition/ (Disposal) During the Year	June 30, 2010	July 01, 2009	Charge for the Year	Disposal During the Year	June 30, 2010		
	Rupees								
OWNED									
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)							

8.2 Disposal of Fixed Assets

Description	Original Cost		Accumulated Depreciation		Book Value	Sale Proceed	Mode of Disposal	Particulars of Buyer
	Cost	Depreciation	Cost	Depreciation				
	Rupees							
Daihatsu Cuore	665,000	133,000	532,000	610,000	Insurance claim	New Jubilee Insurance Company Limited		
Unique UD-70 Cdi	35,500	20,117	15,383	16,500	Negotiation	Muhammad Owais - Ex-Employee		
Unique UD-70 Cdi	35,500	21,300	14,200	15,000	Negotiation	Muhammad Abbas - Employee		
	736,000	174,417	561,583	641,500				

8.3 The cost of fully depreciated operating fixed assets amounts to Rs. 1,593,840/- (2010: Rs. 1,128,250/-).

9. LONG-TERM INVESTMENTS

Number of Share/Certificates/Units			Note	Activity	Holding		2011	2010
2011	2010				2011 %	2010 %		
8,792,925	8,792,925	Quoted First Dawood Mutual Fund - An Associate Certificates of Rs. 10/- Each Having Net Assets Value Rs. 83,269 (2010: Rs. 73,421) Million Based on Audited Financial Statements for the Year Ended 30 June 2011	9.1	Closed-End Fund	15.14	15.14	83,269,000	73,420,924
172,312	144,883	Dawood Income Fund (formerly Dawood Money Market Fund) - An Associate Units of Rs. 100/- Each Having Net Assets Value Rs. 14,468 (2010: Rs. 11,524) Million Based on Audited Financial Statements for the Year Ended 30 June 2011	9.2	Open-End Fund	3.20	3.00	14,468,228	11,523,721
50,000	50,000	Un-Quoted Sapphire Power Generation Limited Fully Paid Ordinary Shares of Rs. 10/- Each Having Net Assets Value Rs. 3.038 (30 June 2010: Rs. 3.138) Million Based on Un-Audited Financial Statements as at December 31, 2010		Power Generation and Distribution	0.53	0.53	1,750,000	1,750,000
2,345,034	2,345,034	Burj Bank Limited - A Related Party (formerly Dawood Islamic Bank Limited) Fully Paid Ordinary Shares of Rs. 10/- Each Having Net Assets Value Rs. 20.247 (30 June 2010: Rs. 21.387) Million Based on Audited Financial Statements as at December 31, 2010	9.3	Islamic Banking	0.47	0.47	23,450,340	23,450,340
		Less: Impairment					(3,203,542)	-
							20,246,798	23,450,340
2,722,500	2,722,500	Dawood Family Takaful Limited Fully Paid Ordinary Shares of Rs. 10/- Each Having Net Assets Value Rs. 23.332 (31 December 2009: Rs. 25.712) Million Based on Audited Financial Statements as at December 31, 2010		Family Takaful Business	3.63	3.63	27,225,000	27,225,000
		Less: Impairment					(3,892,960)	-
							23,332,040	27,225,000
							143,066,066	137,369,985

9.1 The abridged financial information of First Dawood Mutual Fund (the Fund) based on audited financial statements as at June 30, 2011 is as follows:

	Note	2011 Rupees	2010 Rupees
Associate's Statement of Assets and Liabilities			
Total Assets		553,907,236	487,353,572
Total Liabilities		4,194,674	2,674,583
Net Assets		549,712,562	484,678,989
Share of Company's Net Assets		83,269,000	73,420,924
Associate's Income Statement			
Total Income/(Loss)		80,290,696	(17,158,685)
Net Income/(Loss)		65,033,573	(36,305,411)

The Fund has been classified as an associate inspite of the fact that the Company holds less than twenty percent in the Fund for the reason that the Company is also an investment advisor of the Fund by virtue of which it participates in the financial and operating policies of the Fund and hence has significant influence over its investee. The market value of investment in the Fund as at June 30, 2011 amounts to Rs. 20,135,798/- (2010: Rs. 14,244,539/-).

9.2 The abridged financial information of the Dawood Income Fund - formerly Dawood Money Market Fund (the Fund) based on audited financial statements as at June 30, 2011 is as follows:

Associate's Statement of Assets and Liabilities			
Total Assets		456,689,147	387,034,454
Total Liabilities		4,561,822	2,930,231
Net Assets		452,127,325	384,104,223
Share of Company's Net Assets		14,468,228	11,523,721
Associate's Income Statement			
Total Income		110,606,295	216,401,300
Net Profit		66,178,024	75,498,281

The Fund has been classified as an associate inspite 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. The net asset value of investment in the Fund as at June 30, 2011 amounts to Rs. 14,468,228/- (2010: Rs. 11,523,721/-)

9.3 This investment represents sponsor equity in the bank and shall not be sold without the prior consent of the State Bank of Pakistan.

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

From Associates:			
Dawood Islamic Fund	10.1	500,000	1,000,000
Less: Receivable within One Year			
Dawood Islamic Fund		(500,000)	(500,000)
Others:			
Dawood Stock Fund		1,115,000	1,115,000
		1,115,000	1,615,000

10.1 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.

11. INVESTMENTS - AVAILABLE FOR SALE

	Note	2011		2010	
		Book Value	Fair Value	Book Value	Fair Value
Rupees					
Listed Shares	11.2	5,447,602	4,613,901	9,721,358	5,447,602
Term Finance Certificates - Listed	11.3	284,658	191,436	284,772	277,206
		<u>5,732,260</u>	<u>4,805,337</u>	<u>10,006,130</u>	<u>5,724,808</u>
Deficit on Revaluation of Investments		-	-	(7,565)	-
Impairment on Available for Sale Investments		(926,923)	-	(4,273,757)	-
		<u>4,805,337</u>	<u>4,805,337</u>	<u>5,724,808</u>	<u>5,724,808</u>
11.1 Available for Sale Investments					
Related Parties		4,241,102	3,788,401	7,314,708	4,241,102
Others		1,491,158	1,016,936	2,691,422	1,483,706
		<u>5,732,260</u>	<u>4,805,337</u>	<u>10,006,130</u>	<u>5,724,808</u>
11.2 Listed Shares					

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

No. of Shares 2011	2010	Name of Companies	Note	2011		2010	
				Book Value	Fair Value	Book Value	Fair Value
Rupees							
Financial Services							
First Dawood Investment Bank Limited -							
2,382,641	2,382,641	Related Party	11.2.1	4,241,102	3,788,401	7,314,708	4,241,102
635,000	635,000	Dawood Equities Limited		1,206,500	825,500	2,406,650	1,206,500
				<u>5,447,602</u>	<u>4,613,901</u>	<u>9,721,358</u>	<u>5,447,602</u>

11.2.1 As per SECP Circular 09 of 2006, 2,382,641 (2010: 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.

11.3 Term Finance Certificates - Listed

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

No. of Certificates 2011	2010	Period of Redemption	Terms of Redemption	Rate %	2011		2010		
					Book Value	Fair Value	Book Value	Fair Value	
Rupees									
57	57	Pace Pakistan Limited (TFC)	2008-2017	Semi Annually	6 months KIBOR + 2.0	284,658	191,436	284,772	277,206
						<u>284,658</u>	<u>191,436</u>	<u>284,772</u>	<u>277,206</u>

12. LOANS AND ADVANCES - UNSECURED

	Note	2011 Rupees	2010 Rupees
Considered Good			
Current Portion of Long-Term Receivables from Related Parties	10	500,000	500,000
Current Portion of Long-Term Loan		-	972,458
Advance to Employees		264,498	27,000
Others		30,000	-
		<u>794,498</u>	<u>1,499,458</u>

	Note	2011 Rupees	2010 Rupees
13. PREPAYMENTS, INTEREST ACCRUED AND OTHER RECEIVABLES - CONSIDERED GOOD, UNSECURED			
Prepayments	13.1	641,458	1,122,940
Accrued Mark-Up on Investments		16,716	14,740
Accrued Mark-Up on Saving Accounts		7,958	49,006
Others		11,976	34,116
		<u>678,108</u>	<u>1,220,802</u>
13.1 This includes Rs. 500,000/- prepaid as license fee for the year 2012.			
14. REMUNERATION DUE FROM FUNDS UNDER MANAGEMENT			
Open-End Funds			
Dawood Income Fund (formerly Dawood Money Market Fund)		380,271	293,429
- An Associate		1,011,614	269,448
Dawood Islamic Fund - An Associate		<u>1,391,885</u>	<u>562,877</u>
Closed-End Fund			
First Dawood Mutual Fund - An Associate		935,229	768,377
		<u>2,327,114</u>	<u>1,331,254</u>
15. BANK BALANCES			
Cash at Bank:			
Current Accounts		101,609	101,609
Saving Accounts	15.1	303,747	3,921,468
		<u>405,356</u>	<u>4,023,077</u>
15.1 These carry mark-up at the rate of 5% (2010: ranging between 4% and 5%) per annum.			
16. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
No. of Shares			
2011	2010	Note	2011 Rupees
			2010 Rupees
10,000,000	10,000,000	Ordinary Shares of Rs. 10/- Each Issued as Fully Paid in Cash	100,000,000
4,973,750	4,973,750	Ordinary Shares of Rs. 10/- Each Issued as Fully Paid Bonus Share	49,737,500
<u>14,973,750</u>	<u>14,973,750</u>		<u>149,737,500</u>
16.1 The Shares Held by Related Parties are as Follows:			
--- No. of Shares ---			
First Dawood Investment Bank Limited		2,246,070	4,492,125
The Bank of Khyber		2,246,055	-
BRR Guardian Modaraba		1,935,505	1,935,505
		<u>6,427,630</u>	<u>6,427,630</u>
17. ACCRUED AND OTHER LIABILITIES			
Accrued Expenses		11,007,404	9,690,041
Unclaimed Dividend		998,742	998,742
Bonus to Employees		600,000	1,630,750
	17.1	<u>12,606,146</u>	<u>12,319,533</u>
17.1 The above includes payable to related parties Rs. 9,768,371/- (2010: Rs. 6,781,907/-).			

18. CONTINGENCIES

18.1 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 management is confident that the appeal will be decided in favour of the Company and therefore no provision in this respect has been made in these financial statements.

18.2 During the year, certain Asset Management Companies (AMC's) have received show cause notice from Deputy Commissioner Inland Revenue (DCIR) stating that Federal Excise Duty (FED) for tax periods 2007-2008, 2008-2009 and 2009-2010 have not been paid and were asked to show cause why the said amount may not be recovered from them together with default surcharge in terms of the FED Act, 2005. The amount of FED payable in respect of aforementioned respective years in case of the Company amounts to Rs. 10,167,969.

In response, those AMC's filed a petition with the Honourable High Court of Sindh arguing that FED is not applicable on fund management fees. The Honourable High Court of Sindh in its order dated 30 June 2011 disposed off the petition by directing AMC's to submit the explanation on the matter to respective officer who after considering the explanation and contention of the AMC's on this matter shall pass an order giving findings on all the points raised by them. The AMC's may, if aggrieved, file an appeal against the said order before the Commissioner Inland Revenue and the Income Tax Appellate Tribunal as per the procedures prescribed under the said order.

Further, the Mutual Fund Association of Pakistan (MUFAP) has also obtained a legal advice on behalf of AMC's on the above matter. Based on the legal advice, MUFAP is confident that the above matter will be decided in the AMC's favour.

	2011 Rupees	2010 Rupees
19. INVESTMENT INCOME		
Equity Investments		
Gain on Sale of Investments	-	11,346,542
Dividend Income	-	500,000
	<u>-</u>	<u>11,846,542</u>
Other Investments		
Return on Term Finance Certificates	42,698	39,839
	<u>42,698</u>	<u>11,886,381</u>
20. MANAGEMENT FEE		
Open-End Funds		
Dawood Income Fund (Formerly Dawood Money Market Fund)		
- An Associate	3,870,854	5,835,514
Dawood Islamic Fund - An Associate	5,094,403	5,149,880
	<u>8,965,257</u>	<u>10,985,394</u>
Closed-End Fund		
First Dawood Mutual Fund - An Associate	10,753,193	13,613,214
	<u>19,718,450</u>	<u>24,598,608</u>

20.1 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. The rates charged to each fund during the year ended June 30, 2011 and 2010 are as under:

		2011	2010
		Rumuneration For Services Rendered as an Asset Management Company Percentage	
Open End Funds			
Dawood Income Fund (Formerly 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		2	2 - 3
	Note	2011 Rupees	2010 Rupees
21. PROVISION FOR IMPAIRMENT			
<i>Unquoted Shares</i>			
Burj Bank Limited (Formerly Dawood Islamic Bank Limited)		3,203,542	-
Dawood Family Takaful Limited		3,892,960	-
<i>Quoted Shares</i>			
First Dawood Investment Bank Limited		452,701	3,073,607
Dawood Equities Limited		381,000	1,200,150
<i>Term Finance Certificates - Listed</i>			
Pace Pakistan Limited		93,222	-
		<u>8,023,425</u>	<u>4,273,757</u>
22. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and Allowances	22.1	14,503,312	18,230,463
Rent, Rates and Taxes		894,738	1,601,784
Postage and Telephones		415,698	520,581
Legal and Professional Charges		3,125,892	2,982,830
Printing and Stationery		377,561	312,339
Travelling and Conveyance		867,652	812,101
Vehicles Running		1,565,802	1,525,448
Advertisement		226,888	166,057
Electricity		572,582	688,879
Repairs and Maintenance		781,634	1,096,467
Auditors' Remuneration	22.2	494,120	448,611
Entertainment		441,769	295,377
Insurance		326,729	290,984
Depreciation		1,015,693	1,038,565
Subscriptions		762,775	637,151
Newspapers and Magazines		5,484	1,080
Directors' Fee		127,000	80,000
Marketing Expense		318,812	45,577
Donation		-	200,786
Others		347,762	399,104
		<u>27,171,903</u>	<u>31,374,184</u>
22.1	This includes Rs. 756,362/- (2010: Rs. 814,198/-) representing contributions to staff retirement benefits.		
22.2 Auditors' Remuneration			
Audit Fee		250,000	250,000
Certification Fee		60,000	60,000
Fee for Half-Yearly Review		120,000	100,000
Out of Pocket Expenses		64,120	38,611
		<u>494,120</u>	<u>448,611</u>

	2011 Rupees	2010 Rupees
27. LOSS PER SHARE		
- Basic and Diluted		
Net Loss for the Year	<u>(365,585)</u>	<u>(156,421)</u>
	----- No of Shares -----	
Weighted Average Number of Ordinary Shares	<u>14,973,750</u>	<u>14,973,750</u>
	----- Rupees -----	
Loss per Share - Basic and Diluted	<u>(0.02)</u>	<u>(0.01)</u>

28. 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	2011 Rupees	2010 Rupees
Mutual Funds Managed by the Company	Management Fee Charged	19,718,450	24,598,608
	Management Fee Received	18,722,590	24,999,315
	Bonus Units (2011: 31,218 Units (2010: Nil))	2,042,848	-
	Recovery of Formation Costs	500,000	1,500,000
	Units Transferred (2011: 3,789 Units (2010: Nil))	283,364	-
Major Shareholders	Repayment of Borrowings	-	24,560,044
	Financial Charges on Borrowings	-	464,286
	Disposal of Investments	-	24,659,287
	Liability no Longer Payable Written Back	-	4,519,920
Others	Share of Common Expenses	2,986,464	6,504,314
	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.

29. 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.

29.1 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.

29.1.1 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.

29.1.2 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, 2011				
Long-Term Investments	-	-	143,066,066	143,066,066
Long-Term Receivables from Related Parties	-	-	1,115,000	1,115,000
Long-Term Deposits	-	-	34,200	34,200
Term Finance Certificate	191,436	-	-	191,436
Listed Shares	-	-	4,613,901	4,613,901
Loans and Advances	-	-	794,498	794,498
Remuneration Due from Funds Under Management	-	-	2,327,114	2,327,114
Bank Balances	303,747	-	101,609	405,356
	495,183	-	152,052,388	152,547,571
As at June 30, 2010				
Long-Term Investments	-	-	137,369,985	137,369,985
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	-	-	5,447,602	5,447,602
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	298,018,032	151,594,582

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. 2,476 for the year ended June 30, 2011. 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.

29.1.3 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 2011, the fair values of marketable securities exposed to price risk are as follows:

	2011 Rupees	2010 Rupees
Exposure Classified as 'Available for Sale'	<u>4,805,337</u>	<u>5,724,808</u>

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

29.2 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, 2011 is as follows:-

	June 30, 2011		June 30, 2010	
	Statement of Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
	Rupees			
Long-Term Investments	143,066,066	143,066,066	137,369,985	137,369,985
Long-Term Receivables from Related Parties	1,115,000	1,115,000	1,615,000	1,615,000
Long-Term Deposits	34,200	34,200	31,000	31,000
Investments - Available for Sale	4,805,337	4,613,901	5,724,808	5,447,602
Loans and Advances	794,498	794,498	1,499,458	1,499,458
Interest Accrued and Other Receivables	678,108	678,108	1,220,802	1,220,802
Remuneration Due from Funds Under Management	2,327,114	2,327,114	1,331,254	1,331,254
Bank Balances	405,356	405,356	4,023,077	4,023,077
	<u>153,225,679</u>	<u>153,034,243</u>	152,815,384	152,538,178

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

	2011 Rupees	2010 Rupees
Term Finance Certificates	<u>191,436</u>	<u>277,206</u>
	<u>191,436</u>	<u>277,206</u>

29.3 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, 2011						
	Rupees					
Accrued and Other Liabilities	12,606,146	-	-	-	-	12,606,146
	12,606,146	-	-	-	-	12,606,146
As at June 30, 2010						
Accrued and Other Liabilities	12,319,533	-	-	-	-	12,319,533
	12,319,533	-	-	-	-	12,319,533

29.4 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. 149.053/- million against the minimum required equity of Rs. 180 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 2012.

30. 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, 2011			June 30, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Available-for-Sale Investments	4,613,901	191,436	-	5,447,602	277,206	-
	4,613,901	191,436	-	5,447,602	277,206	-

31. AUTHORIZATION

These financial statements were authorised for issue in Board of Directors meeting held on September 7, 2011.

32. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2011

No. of Share Holders	Share Holding			Total Shares Held
	From		To	
100	1	-	100	3,088
161	101	-	500	33,077
175	501	-	1,000	129,252
115	1,001	-	5,000	265,385
32	5,001	-	10,000	222,395
14	10,001	-	15,000	160,886
9	15,001	-	20,000	152,576
7	20,001	-	25,000	153,914
2	25,001	-	30,000	58,396
1	30,001	-	35,000	31,000
2	35,001	-	40,000	75,757
1	45,001	-	50,000	48,502
1	55,001	-	60,000	60,000
1	60,001	-	65,000	63,193
1	70,001	-	75,000	72,500
2	95,001	-	100,000	200,000
1	110,001	-	115,000	112,000
3	115,001	-	120,000	352,779
1	140,001	-	145,000	142,045
1	170,001	-	175,000	171,826
1	245,001	-	250,000	250,000
1	335,001	-	340,000	338,285
1	385,001	-	390,000	389,317
1	390,001	-	395,000	392,452
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
2	2,245,001	-	2,250,000	4,492,125
643				14,973,750

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2011

Categories of Share Holder's	No. of Share Holders	Total Shares Held	Percentage
Individual Local	617	6,042,694	40.36
Joint Stock Company	12	606170	4.05
Financial Institution	8	5,055,155	33.76
Govt Organizations	1	500	0.00
Investmant Companies	2	11049	0.07
Modarbas	1	1935505	12.93
Mutual Fund	1	663832	4.43
Others	1	658,845	4.40
	643	14,973,750	100.00



DAWOOD
PATTERN OF SHARE HOLDING
AS AT JUNE 30, 2011

Annual Report 2011

S. No.	Cetrogies of Shares Holders	Numbers	Shares Held	Percentage %
1	Associated Companies	2	4,181,575	27.93
	B.R.R. Guardian Modaraba		1,935,505	12.93
	First Dawood Investment Bank Limited		2,246,070	15.00
2	NIT & ICP	3	681,556	4.55
	National Bank of Pakistan Trustee Deptt.		663,832	4.43
	Investment Corporation of Pakistan		17,095	0.11
	IDBP (ICP UNIT)		629	0.00
3	Directors, CEO and their Spouses and Minor Childern			
	Miss Tara Uzra Dawood		1,768,458	11.81
4	Banks, DFIs, NBFIs, Insurance Companies, Modarabas			
	Joint Stock Companies and Mutual Funds etc.	21	4,067,940	27.17
5	Shares Holders Holding Ten Percent or More in the Company	4	8,196,088	54.74
	Miss Tara Uzra Dawood		1,768,458	11.81
	First Dawood Investment Bank Limited		2,246,070	15.00
	The Bank of Khyber		2,246,055	15.00
	B.R.R. Guardian Modaraba		1,935,505	12.93



**FORM OF PROXY
XX ANNUAL GENERAL MEETING**

Dawood Capital Management Ltd.
Karachi.

I/We _____ of
_____ (full address)

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

Mr./Ms _____ Folio # _____

of _____ (full address) (or failing him)

Mr./Ms _____ Folio # _____

of _____ (full address)

being another member of the Company as my/our proxy to attend and vote for me/us on my/our behalf, at the **XX Annual General Meeting** of the Company to be held on October 17, 2011 at 12:00 hours and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2011, 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 11, 2011 to October 17, 2011 (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.