



DAWOOD EQUITIES LIMITED

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DAWOOD EQUITIES LIMITED

CORPORATE INFORMATION

Board of Directors	Haji Abdul Ghani Muhammad Munir Issani Abdul Qadir Sakhi Muhammad Ayub Abdul Aziz Habib Junaid Zakaria Dada Muhammad Khalid	Chairman Chief Executive Officer Director Director Director Director Director
Chief Financial Officer	Mr. Bilal Khaliq	
Company Secretary	Syed Nazeer Haider Zaidi	
Audit Committee	Mr. Abdul Aziz Habib Mr. Muhammad Khalid Mr. Abdul Qadir Sakhi	Chairman Member Member
Auditors	Haroon Zakaria & Company Chartered Accountants	
Internal Auditors	Rafaqat Mansha Mohsin Dossani Masoom & Company Chartered Accountant	
Legal Adviser	Rauf & Ghaffar Law Associates	
Bankers	Bank Al Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Allied Bank Limited Bank Islami Pakistan Limited Dawood Islamic Bank Limited Arif Habib Bank Limited MCB Bank Limited	
Web Site	www.dawoodequities.com	
Registered Office	1700-A, Saima Trade Towers, I.I.Chundrigar Road, Karachi. Phone No. : 021-2275256-8 Fax No. : 021-2275255	
Registrar	F.D. Registrar (SMC-Pvt.) Ltd., 1705 Saima Trade Tower A, I.I.Chundrigar Road, Karachi.	



DAWOOD EQUITIES LIMITED

Mission

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

Vision

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

Corporate Strategy

- Maintaining highest standards of integrity, honesty and ethics.
- Building a long lasting relationship with the customers.
- Offering the best services to fulfill the needs of clients to their satisfaction.
- To develop strengths by providing research based data and information to the customers, enabling them to make better investment decision.
- Providing growth and development opportunities to the management and staff of the company.
- Maintaining financial discipline and adhering to professional and moral codes.



DAWOOD EQUITIES LIMITED

Core Values

Our values based upon the fundamental principles that create value for our Investors and shareholders.

1. Excellence

The market in which we operate is increasing and competitive. Only through best services we offer to the Investors to be successful and grow.

2. Integrity

Our success depends upon the performance of the company by maintaining highest level of integrity, honesty and ethics.

3. Customer Focus

We need to understand our investors and shareholders need. We must strive always to put the satisfaction of our investors first.

4. Meritocracy

We believe in giving opportunities and advantages to our employees on the basis of their ability and performance. We believe in rewarding achievement and in providing first class career opportunities for all.



DAWOOD EQUITIES LIMITED

NOTICE OF ANNUAL GENERAL MEETING (AGM IV)

Notice is hereby given that the 4th Annual General Meeting of Dawood Equities Limited will be held at its Registered Office, 1700-A, Saima Trade Towers, I. I.Chundrigar Road, Karachi on Saturday, October 31, 2009 at 7.30 p.m. to transact the following business:

Ordinary Businesses

1. To confirm the minutes of last Annual General Meeting held on October 28, 2008.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2009 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration.
4. To elect seven directors of the Company as fixed by the Board of Directors. The following are the retiring directors and are eligible to offer themselves for re-election:

- | | |
|---------------------|--------------------------|
| 1. Haji Abdul Ghani | 2. Abdul Qadir Sakhi |
| 3. Muhammad Ayub | 4. Muhammad Munir Issani |
| 5. Abdul Aziz Habib | 6. Juniad Zakaria Dada |
| 7. Muhammad Khalid | |

Special Business:

5. To consider and if thought fit, approve the following resolution an ordinary resolution in respect of fixation of Directors fee as recommended by the Directors in their meeting.
7. Any other Business with the permission of the Chair.

October 8, 2009
Karachi

By Order of the Board
Syed Nazeer Haider Zaidi
Company Secretary

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

This statement sets out the material facts concerning the special business to transact at the AGM of the Company to be held on October 31, 2009.

Agenda Item No. 5

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

Proposed Ordinary Resolution

"Resolved that the Directors be and is hereby entitled for the following fee; Board of Directors meeting fee is Rs. 5,000/- per meeting and for other meetings Rs. 3,000/- per meeting (including Audit Committee meetings.)".



DAWOOD EQUITIES LIMITED

Notes:

1. The share transfer books of the Company shall remain closed from October 25, 2009 to October 31, 2009 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1700-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi at the close of business on October 24, 2009, if any change of address immediately.
2. Any person who seeks to contest the election of the office of the Directors shall at the Registered Office of the company file not later than Fourteen days before the date of meeting a notice of his intension to offer himself for election as a Director in terms of Section 178(3) of the Companies Ordinance, 1984. subject to approval of the Securities & Exchange Commission of Pakistan.
3. 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.
4. The CDC account/sub-account holders are requested to bring with them their Computerized National ID Cards (CNIC) along with Participant(s) ID number and their account numbers at the time of attending this meeting in order to facilitate identification of the respective shareholder(s). In respect of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures is produced at the time of meeting.



DAWOOD EQUITIES LIMITED

DIRECTORS' REPORT

IN THE NAME OF ALLAH THE MOST COMPASSIONATE, THE MOST MERCIFUL

Dear Shareholders,

The directors of your company take pleasure in presenting before you, the annual report 2009 together with the audited financial statements for the year ended June 30, 2009.

Financial results

The financial performance of the company in the year under review is summarized as follows:

	2009	2008	Variance	
			Amount	%
Gross (loss)/earnings	(70,714)	147,515	(218,230)	(0.5) times
Net (loss)/profit before tax	(126,058)	62,927	(188,985)	(2.0) times
Net (loss)/profit for the year	(126,561)	57,447	(184,008)	(2.2) times
Earning per share	(5.062)	Rs. 3.283	(8.343)	

All amounts are rupees in thousands except earning per share

The financial position of the company as at the end of the year under review is summarized as follows:

	2009	2008	Variance	
			Amount	%
Total assets	456,657	850,282	(393,626)	(0.5) times
Net assets	270,368	396,991	(126,623)	(0.7) times

All amounts are rupees in thousands

During the year company has suffered a gross (loss) to Rs. (70,714) million. The major sources of our gross loss are due to bad market conditions, which does not allow the Company to exit from short term investments.

Your Company's shares at Karachi Stock Exchange valued as at June 30, 2009 Rs. 3.79 per share which is due to unstable market conditions.

The Company has filed a law suit against one of its clients to recover Rs. 75.436 million. The Company has made provision of the doubtful debts in the current year.

Directors' Remuneration

The Board of Directors in its meeting recommended to fix the Directors meeting fee Rs. 5,000/- per meeting and for the other meetings including Audit Committee meeting Rs. 3,000/- per meeting, subject to the approval of Annual General Meeting.

Market Review

During the year under review, the KSE-100 Index was touching a high of 12,222 points and closed at 7,162 points level after declined by 41.40%. The market capitalization dropped to Rs. 2,121 billion from Rs. 3,778 billion at the beginning of the year.

During the year Pakistan's unstable political and economic conditions, poor law and order situation, liquidity constraints, increase in government borrowings, rising interest rates and weakening rupee led to outflow of foreign investment from Pakistan's capital markets. The International global and economic crisis is also affected the Capital Market in Pakistan.



DAWOOD EQUITIES LIMITED

Future Outlook

During the year under review company faced many challenges. The Board has taken some measures which would improve the liquidity of the Company resulting in reduction in financial cost.

Pakistan economy is showing signs of improvement. The market has started returning to normalcy, while the interest rates are expected to come down

In view of the above it is expected that opportunities for profitable business would emerge in the near future and your Company is once again well positioned to avail the expected opportunities. The company is continuing to focus on its brokerage business in order to strengthen its revenue sources.

Statement of compliance

Your Company has implemented provisions of the Code of Corporate Governance, since listing at Karachi Stock Exchange. The external auditors has reviewed our report on the statement of compliance with the Code of Corporate Governance there review report is annexed with this report.

As per the directives of SECP and Karachi Stock Exchange, the Directors hereby confirm the following code of good governance and ethical business practices as required by clause (xix) of the Code:

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

Trading and dealing in Shares of the Company

During the year, one of the Directors sold 100,000 shares of the company, while the other Directors, Chief Executive, Chief Financial Officer and Company Secretary, their spouses and minor children do not trade in the shares of the company.

Statement of Ethics and Business Practices

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



DAWOOD EQUITIES LIMITED

Auditors

The retiring auditors Haroon Zakaria & Company Chartered Accountants are eligible for reappointment and have expressed their willingness to continue in the office. The Board of Directors and the Audit Committee recommends there reappointment.

Board meetings

S. No.	Name	Designation	Entitlement & Attend Meeting	Meeting Attend
1.	Haji Abdul Ghani	Chairman & Director	4	4
2.	Mr. Muhammad Munir Issani	CEO & Director	4	4
3.	Mr. Muhammad Ayub	Director	4	3
4.	Mr. Abdul Aziz Habib	Director	4	3
5.	Mr. Junaid Zakaria Dada	Director	4	4
6.	Mr. Abdul Qadir Sakhi	Director	4	4
7.	Mr. Saleem Munshi	Director	3	1
8.	Mr. Muhammad Khalid	Director	4	2

Casual Vacancy

During the year Mr. Muhammad Saleem Munshi resigned from the directorship and in place of him Mr. Muhammad Khalid was appointed as new director of the Company.

Patten of shareholding

Patten of shareholding is annexed to these financial statements.

Acknowledgements

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

Mr. Muhammad Munir Issani
Chief Executive Officer

Date: September 25, 2009



DAWOOD EQUITIES LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

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

This Statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 37 Chapter XIII and XI of listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes Six (6) independent non-executive directors. This means 85.71% of the directors of the Board are independent non-executive directors.
2. The directors of the Company have confirmed none of them is serving as director in more than ten listed companies, including the Company.
3. All the directors of the Company are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. A casual vacancy occurred in the Board of the Company, which was filled up by the directors within 30 days thereof.
5. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board of Directors has adopted a vision/mission statement and all the overall corporate strategy of Company and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive Officer has been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by the director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board Meeting, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged an orientation course for the directors during the years to apprise them their duties and responsibilities.
10. The Board has approved the appointment of CFO, Company Secretary and Internal Auditors including their remuneration and terms and conditions of employment, as determined by the CEO.



DAWOOD EQUITIES LIMITED

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient features required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the company and as required by the code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has appointed a firm of Chartered Accountants, as Internal Auditors of the Company and has also approved their terms and conditions. They are considered suitably qualified and experienced for the purpose, are conversant with the policies and procedures of the Company and are involved in the internal audit on a full time basis.
18. The Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied.

On Behalf of the Board of Directors
Dawood Equities Limited

Mohammad Munir Issani
Chief Executive



DAWOOD EQUITIES LIMITED

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

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

Place: Karachi
Dated:

HAROON ZAKARIA & COMPANY
Chartered Accountants



DAWOOD EQUITIES LIMITED

AUDITORS' REPORT TO THE MEMBERS

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

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

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also include assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) In our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.2 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our report, we draw attention of the users of the financial statements to the note 22.1 of the financial statements. The company has filed suit for the recovery of Rs. 75.436 million against one of its client and preliminary hearings and discovery proceedings are in progress. The ultimate outcome of the matter cannot presently be determined and provision is made to the extent that management expects will be irrecoverable.

The financial statements of the company for the year ended June 30, 2008 were audited by another firm of Chartered Accountants who has expressed unqualified opinion in its audit report dated September 23, 2008.

Place: Karachi
Date:

HAROON ZAKARIA & COMPANY
Chartered Accountants
Muhammad Haroon



DAWOOD EQUITIES LIMITED

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and Equipment	4	1,272,851	3,144,943
Intangible asset	5	220,000	310,000
Stock Exchange membership card and room	6	95,525,000	95,525,000
Long term deposits	7	1,037,500	1,037,500
		98,055,351	100,017,443
CURRENT ASSETS			
Short term investments	8	228,664,182	598,507,905
Trade debts	9	111,735,060	129,331,338
Accrued income	10	37,860	9,705,483
Advances and Other Receivables	11	233,320	1,283,313
Trade deposits and short term prepayments	12	790,553	8,145,094
Taxation - net	13	3,299,314	1,412,485
Bank balances	14	13,841,089	1,879,333
		358,601,378	750,264,951
TOTAL ASSETS		456,656,729	850,282,394
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 30,000,000 ordinary shares of Rs. 10/- each		300,000,000	300,000,000
Issued, subscribed and paid up capital	15	249,965,000	250,000,000
Reserves	16	20,403,290	146,991,007
		270,368,290	396,991,007
LONG TERM LIABILITIES			
Long term financing	17	–	250,000,000
Deferred taxation	18	51,822	79,217
		51,822	250,079,217
CURRENT LIABILITIES			
Short term borrowings	19	60,891,047	142,352,592
Trade and other payables	20	123,106,017	50,053,380
Accrued mark up	21	2,239,553	10,806,198
		186,236,617	203,212,170
CONTINGENCIES	22		
TOTAL EQUITY AND LIABILITIES		456,656,729	850,282,394

The annexed notes from an integral part of these financial statements.

Chief Executive

Director



DAWOOD EQUITIES LIMITED

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

	Note	2009 Rupees	2008 Rupees
Operating revenue	23	20,684,580	88,960,436
Capital (loss) / gain on disposal of investments - net	24	(59,315,145)	8,529,024
(Loss) / Gain on remeasurement of investments carried at fair value through profit and loss	25	(32,083,521)	50,026,011
		(70,714,086)	147,515,471
Administrative expenses	26	36,578,362	48,737,085
		(107,292,448)	98,778,386
Financial charges	27	19,340,080	35,968,647
		(126,632,528)	62,809,739
Other operating income	28	573,580	117,711
(Loss) / Profit before taxation		(126,058,948)	62,927,450
Taxation	29	502,519	5,480,446
(Loss) / Profit after taxation		(126,561,467)	57,447,004
(Loss) / Earnings per share - basic and diluted	30	(5.06)	2.30

The annexed notes from an integral part of these financial statements.

Chief Executive

Director



DAWOOD EQUITIES LIMITED

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

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(126,058,948)	62,927,450
<u>Adjustment for non cash items:</u>		
Depreciation	1,137,145	1,190,168
Loss / (Gain) on remeasurement of investment	32,083,521	(50,026,011)
Capital Loss / (Gain) on disposal of investment	59,315,145	(8,529,024)
Dividend income	(159,752)	(405,207)
Amortization on intangible assets	90,000	90,000
(Gain) on sale of Vehicle	(453,128)	-
Financial charges	19,340,080	35,968,647
	(14,705,937)	41,216,023
(Increase) / decrease in current assets		
Trade debts	17,596,278	(110,247,547)
Accrued income	9,667,623	(950,689)
Advances and other receivables	988,743	4,879,238
Trade deposits and short term prepayments	7,354,541	(4,689,710)
	35,607,185	(111,008,708)
(Decrease) / increase in current liabilities		
Trade and other payables	73,052,637	41,193,418
	93,953,885	(28,599,267)
Taxes paid	(2,416,743)	(7,209,795)
Financial charges paid	(27,906,725)	(34,824,648)
	(30,323,468)	(42,034,443)
Net cash generated from / (used in) operating activities	63,630,417	(70,633,710)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	(218,300)	(2,672,515)
Disposal of fixed Assets	1,406,375	-
Purchase of intangible assets	-	(200,000)
Purchase of KSE Room	-	(8,025,000)
Acquisition of investments - net	(46,554,943)	(193,764,300)
Dividend received	159,752	405,207
Placement and financing	-	41,484,995
Long term deposits	-	(37,500)
Net cash (used in) investing activities	(45,207,116)	(162,809,113)



DAWOOD EQUITIES LIMITED

	2009 Rupees	2008 Rupees
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing & borrowing	(250,000,000)	–
Issue of shares with share premium	–	175,000,000
Share application money	–	(15,360,500)
Net cash (used in) / generated from financing activities	(250,000,000)	159,639,500
Net decrease in cash and cash equivalents	(231,576,699)	(73,803,323)
Cash and cash equivalents at the beginning of the period	184,526,741	258,330,064
Cash and cash equivalents at the end of the period	(47,049,958)	184,526,741
Cash and cash equivalents comprises of:		
Cash and bank balances	13,841,089	1,879,333
Short term borrowings	(60,891,047)	(142,352,592)
Short term investments	–	325,000,000
	(47,049,958)	184,526,741

The annexed notes form an integral part of these financial statements.

Chief Executive

Director



DAWOOD EQUITIES LIMITED

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

	Issued, subscribed and paid up capital	Reserves		Total	Total Equity
		Capital Share premium	Revenue Accumulated (loss) / profit		
Rupees					
Balance as at July 01, 2007	150,000,000	-	14,544,003	14,544,003	164,544,003
Share issued during the year	100,000,000	75,000,000	-	75,000,000	175,000,000
Profit for the year ended 30 June 2008	-	-	57,447,004	57,447,004	57,447,004
Total recognised income and expenses for the year	-	-	57,447,004	57,447,004	57,447,004
Balance as at June 30, 2008	250,000,000	75,000,000	71,991,007	146,991,007	396,991,007
Shares confiscated by The Securities & Exchange Commission of Pakistan - (Note - 15.1)	(35,000)	(26,250)	-	(26,250)	(61,250)
Loss for the year ended 30 June 2009	-	-	(126,561,467)	(126,561,467)	(126,561,467)
Total recognised income and expenses for the year	-	-	(126,561,467)	(126,561,467)	(126,561,467)
Balance as at June 30, 2009	<u>249,965,000</u>	<u>74,973,750</u>	<u>(54,570,460)</u>	<u>20,403,290</u>	<u>270,368,290</u>

The annexed notes from an integral part of these financial statements.

Chief Executive

Director



DAWOOD EQUITIES LIMITED

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

1. NATURE AND STATUS OF BUSINESS

Dawood Equities Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on May 3, 2006 under the Companies Ordinance, 1984. The Company commenced commercial operations from October 03, 2006. Subsequently the Company obtained listing on the Karachi Stock Exchange (Guarantee) Limited on April 14, 2008. The registered office of the Company is situated at 1700- A, Saima Trade Towers, I.I. Chundrigar Road, Karachi. The Company's principal business is trading and brokerage of listed equities, underwriting and other investments.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of Measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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



DAWOOD EQUITIES LIMITED

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

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

- a) **Property and equipment**
The Company's management determines the estimated useful lives and related depreciation charge for its property and equipment. This also includes estimating the residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipments with a corresponding affect on the depreciation charge and impairment.
- b) **Income Taxes**
In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.
- c) **Membership Card and Office**
The Company reviews carrying value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on impairment.
- d) **Investments stated at Fair Value**
The Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point of time based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.
- e) **Trade and Other Receivables**
The Company reviews its trade and other receivables regularly to assess amount of any provision required against such balances.

2.5 Standards, interpretations and amendments to published approved accounting standards

a) Initial application of standards, Amendments or interpretation to existing standards

The following standards, amendments and interpretations became effective during the current year

IFRIC 12 – Service Concession Arrangements (effective for annual period beginning on or after January 1, 2008). The application of this standard did not affect the financial statements of the company.



DAWOOD EQUITIES LIMITED

IFRIC 13 – Customer Loyalty Programs (effective for annual period beginning on or after July 1, 2008) Addresses the accounting by entities that operates or otherwise participate in Customer Loyalty Programs under which the customer can redeem credit for awards, such as free or discounted goods or services. The application of this standard did not affect the financial statement of the company.

IFRIC 14 – (IAS-19) The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual period beginning on or after January 1, 2008), clarifies when refunds or reduction in future contribution in relation to the defined benefit assets should be regarded as available and provides guidance on minimum funding requirements on such assets. Effectiveness of this interpretation did not affect the company's current financial statement.

IAS 29 – Financial Reporting in Hyper inflationary Economies (effective for annual periods beginning on or after July 1, 2008). The company does not have any operation in hyper inflationary economics, therefore the application of this standard did not affect the company's financial statements.

IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard affected the disclosure requirement (Note. 31) of the financial statements.

b) New Accounting Standards and IFRIC Interpretations that are not yet Effective

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

Standards or interpretation	Date
IAS 1 – Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 – Borrowing Costs (Revised)	January 01, 2009
IAS 27 – Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32 – Financial Instruments (Amended)	January 01, 2009
IAS 39 – Financial Instruments Recognition and Measurement (Amended)	January 01, 2009
IFRS 2 – Share-based Payment (Amended)	January 01, 2009
IFRS 3 – Business Combinations (Revised)	July 01, 2009
IFRS 8 – Operating Segments	January 01, 2009
IFRIC 15 – Agreement for the Construction of Real Estate	January 01, 2009
IFRIC 16 – Hedge of Net Investment in a Foreign Operation	October 01, 2009
IFRIC 17 – Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18 – Transfer of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and / or enhancements in the presentation and disclosures of financial statements.



DAWOOD EQUITIES LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

3.2 Property and Equipment

Items of Property and Equipment are initially stated at cost. Subsequent to initial recognition, these are stated at cost less accumulated depreciation and any identified impairment. Depreciation is charged applying the straight line method whereby the depreciable cost of an asset is allocated over its estimated service life.

Gains and losses on disposal of Property & Equipment are taken to Profit and Loss account. Normal repairs are charged to income as and when incurred.

The Company assesses at each balance sheet date whether there is any indication that the operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is charge to profit and loss account. However, at year end residual values are not materially different than carrying values.

Change in Estimate

During the year company has changed its depreciation policy. From the current year, depreciation is charged from the month of purchase while no depreciation is charged in the month of disposal. The change is treated as change of estimate and applied prospectively. The change is made because revised policy reflects allocation of depreciation more appropriately. Had the policy not been changed, loss for the year would have been decreased by Rs. 188,109. Effect of future period is not disclosed due to the fact that such estimation is impracticable.

3.3 Intangible Assets

Membership Card and Office

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

Software

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



DAWOOD EQUITIES LIMITED

3.4 Financial Instruments

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

Financial Assets

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

a) Held to maturity

These are non derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intention and ability to hold to maturity.

b) Investment at fair value through profit or loss

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

c) Loans and receivables

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

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

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

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

Financial Liabilities

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



DAWOOD EQUITIES LIMITED

Offsetting of financial assets and financial liabilities

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

3.5 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice amount being their fair value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off as incurred.

Other receivables are recognized and carried at cost, being their fair value.

3.6 Cash and cash equivalents

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

3.7 Trade and other payables

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

3.8 Borrowing Cost

These are charged to profit and loss account in the year in which these are incurred.

3.9 Taxation

Current

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

Deferred

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

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.



DAWOOD EQUITIES LIMITED

3.10 Provisions

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

3.11 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

3.12 Revenue recognition

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

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

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

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

Income from other investments is recognized on accrual basis.

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

3.13 Transactions with related parties

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



DAWOOD EQUITIES LIMITED

4. PROPERTY AND EQUIPMENT

Particulars	Owned Assets				Total
	Computers	Office Equipment	Furniture & Fixtures	Motor Vehicles	
	Rupees				
Year ended June 30, 2009					
Opening net book value	882,621	224,397	15,873	2,022,052	3,144,943
Additions	29,300	189,000	-	-	218,300
Disposals-net	-	-	-	(953,247)	(953,247)
Depreciation charge	(555,144)	(88,545)	(5,291)	(488,165)	(1,137,145)
Closing net book value	<u>356,777</u>	<u>324,852</u>	<u>10,582</u>	<u>580,640</u>	<u>1,272,851</u>
As at June 30, 2009					
Cost	1,670,957	500,977	26,455	1,433,100	3,631,489
Accumulated Depreciation	(1,314,180)	(176,125)	(15,873)	(852,460)	(2,358,638)
	<u>356,777</u>	<u>324,852</u>	<u>10,582</u>	<u>580,640</u>	<u>1,272,851</u>
Year ended June 30, 2008					
Opening net book value	423,810	100,742	21,164	1,116,880	1,662,596
Additions	1,005,975	186,050	-	1,480,490	2,672,515
Disposals-net	-	-	-	-	-
Depreciation charge	(547,164)	(62,395)	(5,291)	(575,318)	(1,190,168)
Closing net book value	<u>882,621</u>	<u>224,397</u>	<u>15,873</u>	<u>2,022,052</u>	<u>3,144,943</u>
As at June 30, 2008					
Cost	1,641,657	311,977	26,455	2,876,590	4,856,679
Accumulated Depreciation	(759,036)	(87,580)	(10,582)	(854,538)	(1,711,736)
	<u>882,621</u>	<u>224,397</u>	<u>15,873</u>	<u>2,022,052</u>	<u>3,144,943</u>
Rate of depreciation (%)	33.33	20	20	20	



DAWOOD EQUITIES LIMITED

		Rupees
4.1	Disposal of Property and Equipment	
	Motor Vehicles	
	Cost	1,443,490
	Accumulated Depreciation	(490,243)
	Book Value	953,247
	Sale Proceeds	1,406,375
	Gain	453,128
	Mode of Disposal	Negotiation
	Particular of Purchaser	M/s Dawood Family Takaful Ltd, I.I.Chundigar Road, Karachi

		Rupees
5.	INTANGIBLE ASSETS	
	Software	
	<u>Year ended June 30, 2009</u>	
	Opening net book value	310,000
	Additions	-
	Disposals-net	-
	Amortization Charge	(90,000)
	Closing net book value	<u>220,000</u>
	<u>As at June 30, 2009</u>	
	Cost	450,000
	Accumulated amortization	(230,000)
		<u>220,000</u>
	<u>Year ended June 30, 2008</u>	
	Opening net book value	200,000
	Additions	200,000
	Disposals-net	-
	Amortization Charge	(90,000)
	Closing net book value	<u>310,000</u>
	<u>As at June 30, 2009</u>	
	Cost	450,000
	Accumulated amortization	(140,000)
		<u>310,000</u>
	Rate of amortization (%)	20



DAWOOD EQUITIES LIMITED

	Note	2009 Rupees	2008 Rupees
6 STOCK EXCHANGE - MEMBERSHIP CARD AND ROOM			
KSE Membership Card - at cost	6.1	87,500,000	87,500,000
KSE Room - at cost		8,025,000	8,025,000
		95,525,000	95,525,000
6.1	This represents cost of membership card of Karachi Stock Exchange (Guarantee) Limited with indefinite useful life.		
7. LONG TERM DEPOSITS			
Karachi Stock Exchange (Guarantee) Limited		700,000	700,000
Central Depository Company Limited		137,500	137,500
National Clearing Company Pakistan Limited		200,000	200,000
		1,037,500	1,037,500
8 SHORT TERM INVESTMENTS			
Financial Asset - at fair value through profit and loss - Held for trading			
Ordinary shares	8.1	79,864,222	105,131,294
Units of open end funds	8.2	2,451,469	2,898,185
Financial Asset - Initially designated at fair value through profit and loss account			
Ordinary shares	8.3	146,348,491	165,478,426
Financial Asset - Held to maturity - Related Parties			
Certificate of Investment - Financial institution		–	100,000,000
Placement of funds			
Financial institution		–	75,000,000
Modaraba		–	150,000,000
		228,664,182	598,507,905



DAWOOD EQUITIES LIMITED

8.1 Held for trading - Ordinary Shares

2009	2008		2009 Rupees	2008 Rupees
(Number of Shares)				
		Related Parties		
190	190	B. R. R. Guardian Modaraba	513	1,355
145,163	731,950	First Dawood Investment Bank Ltd	445,650	67,370,787
			446,163	67,372,142
		Others		
45,000	-	Abbott Laboratories (Pakistan) Ltd	3,609,000	-
11,100	-	Adamjee Insurance Company Ltd	932,289	-
5,000	-	Agriauto Industries Ltd	163,200	-
170,000	509,600	American Life Insurance Company	2,383,400	24,970,400
2,222	2,000	Arif Habib Bank Limited	15,532	38,360
9,000	-	Arif Habib Limited	602,010	-
56,000	-	Arif Habib Securities Limited	1,547,840	-
9,700	-	Artistic Denim Mills Ltd	217,862	-
36,750	15,000	Askari Commercial Bank Limited	561,540	602,850
7,000	-	Attock Cement Pakistan Limited	491,540	-
12,000	-	Attock Refinery Limited	1,497,480	-
50,440	1,150	Bank Al Falah Limited	532,142	47,219
31,875	25,000	Bank Al Habib Limited	812,494	1,055,500
43,000	-	Boc Pakistan Limited	4,945,000	-
34,500	35,000	Bosicor Pakistan Limited	240,120	469,000
1,900	-	Century Paper & Board Mills Ltd	25,061	-
24,900	-	Cherat Cement Company Limited	336,897	-
20,000	-	Cherat Papersack Limited	723,000	-
60,000	-	D.G. Khan Cement Company Ltd	1,779,000	-
52,500	-	EFU General Insurance Ltd	4,624,725	-
67,000	-	EFU Life Assurance Limited	6,695,980	-
213,673	223,673	Engro Polymer & Chemical Ltd	4,093,975	6,280,738
22,000	-	Fauji Fertilizer Bin Qasim Ltd	389,180	-
20,500	2,000	Fauji Fertilizer Company Limited	1,782,475	264,640
22,500	-	Faysal Bank Limited	217,800	-
10,040	-	First Habib Bank Modaraba	39,256	-
30,000	-	First Habib Modaraba	173,100	-
34,500	-	Glaxosmithkline Pakistan Limited	4,133,445	-
31,250	25,000	Habib Metropolitan Bank Limited	775,312	1,029,250
32,000	-	ICI Pakistan Limited	4,488,000	-
53,837	3,625	IGI Insurance	4,863,634	818,235
5,000	-	Indus Motor Company Limited	538,600	-
93,200	-	Jahangir Siddiqui & Company Ltd	2,161,308	-



DAWOOD EQUITIES LIMITED

<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
<u>(Number of Shares)</u>			<u>Rupees</u>	<u>Rupees</u>
10,000	-	MCB Bank Limited	1,550,300	-
21,500	-	Millat Tractors Limited	6,003,660	-
10,240	2,700	National Bank Of Pakistan	686,387	398,250
6,000	6,000	New Jubilee Insurance Limited	304,500	1,010,640
57,500	-	New Jubilee Life Insurance Co Ltd	2,185,000	-
203,500	-	Nishat (Chunian) Limited	1,752,135	-
3,500	-	Orix Leasing Pakistan Limited	28,000	-
4,400	1,000	Pakistan Petroleum Ltd	833,976	245,990
4,500	-	Pakistan State Oil Company	961,425	-
250,000	-	Pioneer Cement Limited	3,395,000	-
5,000	-	Shell Pakistan Limited	1,119,500	-
23,700	-	Soneri Bank Ltd	259,752	-
37,500	-	Standard Chartered Bank (Pak) Ltd	318,375	-
15,000	-	Sui Northern Gas Pipelines Ltd	479,250	-
18,000	1,000	The Bank Of Punjab	197,640	31,130
2,500	2,500	The Hub Power Company Ltd	67,725	71,500
75,300	5,000	United Bank Limited	2,883,237	425,450
			79,418,059	37,759,152
			79,864,222	105,131,294

8.2 Held for trading - Units of open end funds

<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
<u>(Number of Shares)</u>			<u>Rupees</u>	<u>Rupees</u>
79,634.99	77,535.80	NAFA Stock Fund	483,265	888,894
107,276.46	101,967.61	NAFA Islamic Income Fund	1,009,139	1,055,691
100,000.00	100,000.00	NAFA Islamic Multi-Asset Fund	857,360	953,600
10,000.00	-	NAMCO LTD	101,705	-
			2,451,469	2,898,185



DAWOOD EQUITIES LIMITED

8.3 Initially designated at fair value through profit and loss account - Ordinary Shares

2009		2008			2009	2008
(Number of Shares)					Rupees	Rupees
				Quoted - Related Parties		
				First Dawood Investment Bank Ltd	-	1,826,691
567,613		257,292		Dawood Capital Management	3,093,491	14,396,735
				Unquoted - Related Party		
14,325,500		14,925,500		Dawood Family Takaful Company Ltd	143,255,000	149,255,000
					146,348,491	165,478,426

9. TRADE DEBTS

Considered good		3,658,485	129,331,338
Considered doubtful		129,063,179	-
	9.1	132,721,664	129,331,338
Provision for considered doubtful	9.2	(20,986,604)	-
		111,735,060	129,331,338

9.1 This includes amount of Rs. 33.31 million (2008: Rs. 30.78 million) receivable from related parties of the company. The breakup of these related parties is as follows:

Related Companies	-	1,534,582
Individuals	33,314,139	29,250,494
	33,314,139	30,785,076

9.2 Provision for trade debts considered doubtful:

Opening	-	-
Addition	(20,986,604)	-
Written off	-	-
	(20,986,604)	-



DAWOOD EQUITIES LIMITED

	Note	2009 Rupees	2008 Rupees
10. ACCRUED INCOME			
Accrued mark-up on certificates of investment		–	2,591,785
Accrued income on placement of fund		–	7,113,698
Accrued Brokerage Income		37,860	–
		37,860	9,705,483
11. ADVANCES AND OTHER RECEIVABLES			
Considered good			
Advance against salary		9,750	116,754
Advance against expenses		–	300,000
Other receivables	11.1	223,570	866,559
		233,320	1,283,313
11.1 This includes amount of Rs. 0.103 million (2008: Rs. 1.716 million) receivable from related parties.			
12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		609,096	7,816,278
Prepayments		181,457	328,816
		790,553	8,145,094
13. TAXATION - NET			
Advance tax		3,829,228	7,209,795
Provision for taxation		(529,914)	(5,797,310)
		3,299,314	1,412,485
14. BANK BALANCES			
Cash at bank:			
– In Current accounts		418,889	–
– In PLS accounts	14.1	13,422,200	1,879,333
		13,841,089	1,879,333
14.1 PLS account carries mark-up at the rate of 5% per annum (2008 : 1.25% to 1.75% per annum).			



DAWOOD EQUITIES LIMITED

	Note	2009 Rupees	2008 Rupees		
15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL					
Number of Ordinary Shares shares of Rs. 10/- each					
		2009	2008		
24,996,500	25,000,000	Fully paid in cash	15.1	249,965,000	250,000,000
15.1 Reconciliation of Issued, subscribed and paid-up capital					
Opening balance		250,000,000	150,000,000		
Issued as fully paid in cash		–	100,000,000		
Confiscated by SECP	15.2	35,000	–		
Closing balance	15.3	249,965,000	250,000,000		
15.2 Share capital representing Rs 35,000 and premium of Rs. 26,250 totalling Rs. 61,250 were deposited with SECP under section 18A of the Securities & Exchange Ordinance 1969. The amount deposited is treated as confiscated and share capital is reduced accordingly on the ground that no allotment of these shares have been made.					
15.3 Ordinary shareholders are entitled to attend and vote on the company meetings and are also entitled to any disbursements made by the company.					
16. RESERVES					
16.1 Share premium is capital reserve and is held for utilization of purposes as stated in section 83 of the Companies Ordinance 1984.					
16.2 Revenue reserves are held for reinvestment and distribution in the form of dividend.					
17. LONG TERM FINANCING					
Related Party - Secured					
– Financial institution	17.1	–	100,000,000		
– Modaraba	17.2	–	150,000,000		
		–	250,000,000		
17.1 Long term financing from a financial institution, a related party, carried markup at the rate of 12% per annum (2008: 12% per annum). The final amount of the loan has been repaid in December 2009. The amount was secured against investments held by the company.					
17.2 Musharika finance from a Modaraba, a related party, carried markup at the rate of 12% per annum (2008: 12% per annum). The final amount of the loan has been repaid in December 2009. The amount was secured against investments held by the company.					



DAWOOD EQUITIES LIMITED

	Note	2009 Rupees	2008 Rupees
18. DEFERRED TAX LIABILITY			
Relating to taxable temporary difference			
Accelerated tax depreciation		51,822	79,217
19. SHORT TERM BORROWINGS			
Secured - From Banking companies			
– Facility-I	19.1	60,891,047	66,339,340
– Facility-II		–	76,013,252
	19.2	60,891,047	142,352,592
19.1			
The Company has running finance facility amounting to Rs. 100 (2008: 100) million from a commercial bank under mark up arrangements for meeting the working capital requirements. The rate of mark up is 3 months KIBOR plus 2.50% (2008: 3 months KIBOR plus 2.50%). The facility is secured against lien over shares of various companies listed at Karachi Stock Exchange (Guarantee) Limited.			
19.2			
The unavailed facility at the year end amounting to Rs. 39.11 million (2008: 207.65 million)			
	Note	2009 Rupees	2008 Rupees
20. TRADE AND OTHER PAYABLES			
Trade creditors	20.1	121,243,030	48,672,739
Accrued expenses and other liabilities		1,808,768	1,309,991
Withholding tax payable		54,219	70,650
		123,106,017	50,053,380
20.1			
This includes amount of Rs. 107.79 million (2008: Rs. 0.36 million) payable to related parties of the company.			
21. ACCRUED MARK UP			
Long term financing		–	9,780,825
Short term borrowings		2,239,553	1,025,373
		2,239,553	10,806,198



DAWOOD EQUITIES LIMITED

22. CONTINGENCIES

22.1 The company has filed a suit in the Honorable Sindh High Court Karachi against one of its client against recovery of Rs. 75.436 million. The company expects favorable outcome of the case and accordingly provision is made to the extent that management estimate will be irrecoverable. (Refer note 9.2)

22.2 The complain has been lodged against the company by one of its client for the recovery of Rs. 268,680 for which arbitration is held at Karachi Stock Exchange (KSE) and it is probable that amount will be settled as appearing in the company's books.

	Note	2009 Rupees	2008 Rupees
23. OPERATING REVENUE			
Brokerage commission		4,867,477	51,871,401
Underwriting commission		43,616	948,958
Profit on certificates of investment		1,295,886	11,030,140
Mark-up on placement of funds		7,642,554	18,535,070
Dividend income		159,752	405,207
Late settlement charges		6,675,295	6,169,660
		20,684,580	88,960,436
24. Capital (loss) / gain on investments - net			
Investments in Related party		(51,971,863)	(349,993)
Investments in Others		(7,343,282)	8,879,017
		(59,315,145)	8,529,024
25. (Loss) / Gain on remeasurement of investments carried at at fair value through profit and loss			
<u>Investment in Quoted Equity Securities</u>			
– Related Parties		(19,999,761)	49,447,732
– Others		(11,537,044)	680,095
Held for trading - Units of open end funds		(546,716)	(101,815)
		(32,083,521)	50,026,011



DAWOOD EQUITIES LIMITED

	Note	2009 Rupees	2008 Rupees
26. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	26.1	6,619,660	7,507,813
Rent, rates & taxes		549,098	768,242
Repairs and maintenance		261,524	256,395
Utilities		709,890	1,641,708
Fees and subscription		420,176	869,130
CDC charges		1,238,865	1,851,118
KSE charges		2,157,542	20,700,732
SECP charges		102,912	2,492,831
Brokerage and commission		946,130	9,384,427
Website hosting charges and domain charges		5,700	30,700
Printing and stationery		413,030	1,409,732
Legal and professional fees		319,500	106,500
Traveling, conveyance and parking charges		13,028	26,270
Entertainment		72,937	111,659
Auditors' remuneration	26.2	483,500	293,500
Donation		18,501	6,160
Miscellaneous		32,620	–
Depreciation	4	1,137,145	1,190,168
Amortization of intangible assets	5	90,000	90,000
Provision for bad debts	9.2	20,986,604	–
		36,578,362	48,737,085

26.1 This includes staff retirement benefits amounting to Rs. 0.177 (June 30, 2008 : Rs. 0.226 million)

26.2 Auditors' remuneration

Statutory audit	230,000	150,000
Half yearly review	50,000	43,500
Certifications and other services	110,000	100,000
Internal Audit	88,500	–
Out of pocket expenses	5,000	–
	483,500	293,500



DAWOOD EQUITIES LIMITED

	Note	2009 Rupees	2008 Rupees
27. FINANCIAL CHARGES			
Mark up on			
– Long term financing		4,874,099	31,037,566
– Short term borrowing		14,357,608	3,770,303
– Client credit balances		48,432	459,009
Exposure cost		–	494,391
Bank charges		59,941	207,378
		<u>19,340,080</u>	<u>35,968,647</u>
28. OTHER OPERATING INCOME			
From financial assets			
Profit on bank accounts		120,452	117,711
From non financial assets			
Profit on sale of fixed assets		453,128	–
		<u>573,580</u>	<u>117,711</u>
29. TAXATION			
Current		529,914	2,117,764
Deferred		(27,395)	62,096
		<u>502,519</u>	<u>2,179,860</u>
30. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation		<u>(126,561,467)</u>	<u>57,447,004</u>
Weighted average number of ordinary shares		<u>24,996,500</u>	<u>25,000,000</u>
Loss/(Earnings) per share - basic and diluted		<u>(5.06)</u>	<u>2.30</u>



DAWOOD EQUITIES LIMITED

	Note	2009 Rupees	2008 Rupees
31. FINANCIAL INSTRUMENTS BY CATEGORY			
FINANCIAL ASSETS			
Investment at fair value through profit or loss			
Short term investments		228,664,182	273,507,905
Held to maturity			
Short term investments		–	325,000,000
Loans and receivables			
Long term deposits		1,037,500	1,037,500
Trade debts		111,735,060	129,331,338
Accrued income		37,860	9,705,483
Trade deposits		609,096	7,816,278
Advances and other receivables		223,570	866,559
Bank balances		13,841,089	1,879,333
		127,484,175	150,636,491
FINANCIAL LIABILITIES			
Financial liabilities at amortized cost			
Long term financing		–	250,000,000
Short term borrowings		60,891,047	142,352,592
Trade and other payables		123,106,017	50,053,380
Accrued mark up		2,239,553	10,806,198
		186,236,617	453,212,170

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Risk managed and measured by the company are explained below:

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

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



DAWOOD EQUITIES LIMITED

a) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted. Out of the total financial assets of Rs.356.14 million (2008: Rs.749.14), the financial assets which are subject to credit risk amounted to Rs.129.93 million (2008: Rs.478.53 million).

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The company's policy is to enter into financial instrument contract by following internal guidelines such as approving counter parties and approving credits.

As of June 30, 2009, trade debts of Rs. 43.60 million (2008: Rs. NIL) are overdue for more than 360 days. Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors past due upto one year do not require any impairment. Impairment allowance by way of provision for doubtful debts amounting to Rs. 20.99 million (2008: Rs. NIL) is charged to profit and loss account in respect of balances due over one year.

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

	Note	2009 Rupees	2008 Rupees
Long term deposits		1,037,500	1,037,500
Investments		2,451,469	327,898,185
Trade debts		111,735,060	129,331,338
Accrued income		37,860	9,705,483
Advances and Other Receivables		223,570	866,559
Trade deposits and short term prepayments		609,096	7,816,278
Bank balances		13,841,089	1,879,333
		129,935,644	478,534,676

Investment comprises of Term Finance Certificate, Units of Mutual Funds and Certificates of investments.

b) Liquidity risk

Liquidity risk is the the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The company is not materially exposed to liquidity risk as all obligations / commitments of the company are short term in nature and are restricted to the extent of available liquidity.



DAWOOD EQUITIES LIMITED

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

2009			
Carrying Amount	Contractual Cashflow	Less than 6 month	6 - 12 month
Financial Liabilities			
Long term financing	-	-	-
Short term borrowings	60,891,047	63,452,751	-
Trade and other payables	123,106,017	123,106,017	-
Accrued mark up	2,239,553	2,239,553	-

2008			
Carrying Amount	Contractual Cashflow	Less than 6 month	6 - 12 month
Financial Liabilities			
Long term financing	250,000,000	254,874,099	-
Short term borrowings	142,352,592	157,032,351	157,032,351
Trade and other payables	50,053,380	50,101,812	-
Accrued mark up	10,806,198	10,806,198	-

c) Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the company's income or the value of its holdings of financial instruments.

i) Currency risk

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

ii) Interest rate risk

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

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



DAWOOD EQUITIES LIMITED

	2009	2008
	Effective Interest Rate (in Percent)	
Financial instruments		
<i>Fixed Rate Instruments</i>		
Long Term Loan	–	12
Bank Balance - PLS Account	5	1.25 - 1.75
<i>Variable Rate Instruments</i>		
Short term borrowings	15.2	16.8

Sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on same basis for 2008.

	Profit and Loss 100 bp	
	Increase	(Decrease)
As at June 30 2009		
Cash flow Sensitivity - Variable Rate Instruments	<u><u>944,579</u></u>	<u><u>(944,579)</u></u>
As at June 30 2008		
Cash flow Sensitivity - Variable Rate Instruments	<u><u>224,423</u></u>	<u><u>(224,423)</u></u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets of the company.



DAWOOD EQUITIES LIMITED

iii) Price Risk

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

Sensitivity analysis

At reporting date, if the market prices of each security held by the company as short term investment had increased / (decreased) by Rupee 1 with all other variables remain constant, pre tax profit would have been higher / (lower) by the amount shown below. The analysis is performed on same basis for 2008.

	2009 Rupees	2008 Rupees
Effect on profit		
Increase / Decrease	2,066,527	860,248

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets of the company.

Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company finances its operations through equity, short term borrowings and by managing working capital. Quantitative data for share capital and share premium is given in statement of changes in equity and data for short term borrowings is given in note 18 of the financial statements. Company's gearing ratio is 15.78% (2008: 54.69%).

Fair value of financial assets and liabilities

The estimated fair value of financial instruments is not significantly different from their book value as shown in these financial statements. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.



DAWOOD EQUITIES LIMITED

33. RELATED PARTY TRANSACTIONS

Related parties comprises member companies, directors, key management personnel of member companies and various other related parties that has an interest in the company that gives it significant influence over the company. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2009 Rupees	2008 Rupees
Investment transactions with Member Companies		
Placement of funds made during the year	105,000,000	465,000,000
Placement of funds mature/pre-mature during the year	(430,000,000)	(390,000,000)
Shares purchased during the year	70,684,862	23,999,125
Shares sold during the year	(75,326,923)	-
TFC purchase during the year	10,897,796	-
TFC sold during the year	(30,278,919)	-
Mutual funds unit purchased during the year	4,000,000	100,000,000
Mutual funds unit redeem during the year	(4,000,000)	(100,000,000)
	(349,023,184)	98,999,125
Borrowings from Member Companies		
Borrowing of funds during the year	283,385,000	444,854,442
Repayment of Borrowings during the year	(533,385,000)	(444,854,442)
	(250,000,000)	-
Commission earned from brokerage transactions with member companies and key management personnel of members companies	1,007,962	13,970,268
Profit earned from member companies:		
On redemption of units	5,294	96,376
On sale of TFC	3,877	-
On certificate of investment	3,887,671	11,030,136
On placement of funds	6,528,854	16,424,659
On Musharika	8,227,398	30,017,808
Markup charged to member companies on borrowings	4,874,102	31,136,195
Expenses paid to member companies	1,324,377	-
Fixed assets sold to the member company	1,406,375	-
Gain on sale of fixed assets to the member company	453,128	-

Year end balances are mentioned in relevant notes.

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



DAWOOD EQUITIES LIMITED

34. REMUNERATION AND OTHER BENEFITS TO CEO / DIRECTOR

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the CEO / Director of the Company is as follows:

	Chief Executive	
	2009	2008
Managerial remuneration	1,407,996	1,139,034
House rent	512,004	465,966
Medical expenses	24,000	24,000
	1,944,000	1,629,000
Number of persons	1	1

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

35. RECLASSIFICATION

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

- Advances amounting to Rs. 416,754 and other receivables amounting Rs. 866,559 are grouped together.
- Income amounting to Rs. 97,489,460 is bifurcated into operating revenue of Rs. 88,960,436 and capital gain of Rs. 8,529,024 on the face of the Profit and Loss Account.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on September 25, 2009

37. GENERAL

Figures have been rounded off to nearest rupee.

Chief Executive

Director



DAWOOD EQUITIES LIMITED

PATTERN OF SHAREHOLDING

Number of Shareholders	Share Holding		Total Number of Share Held
	From	To	
24	1	100	762
3,656	101	500	1,831,888
767	501	1,000	765,575
832	1,001	5,000	2,209,347
170	5,001	10,000	1,287,164
54	10,001	15,000	693,000
28	15,001	20,000	508,478
14	20,001	25,000	330,001
14	25,001	30,000	393,500
9	30,001	35,000	294,500
7	35,001	40,000	264,000
4	45,001	50,000	190,435
3	50,001	55,000	160,500
1	55,001	60,000	59,500
2	60,001	65,000	126,000
3	65,001	70,000	206,500
1	70,001	75,000	71,500
1	85,001	90,000	90,000
1	90,001	95,000	94,500
2	95,001	100,000	200,000
1	110,001	115,000	115,000
1	130,001	135,000	133,500
1	150,001	155,000	154,000
3	155,001	160,000	474,350
1	195,001	200,000	200,000
3	225,001	230,000	690,000
1	485,001	490,000	490,000
1	550,001	555,000	551,000
1	690,001	695,000	691,000
1	1,395,001	1,400,000	1,400,000
1	1,495,001	1,500,000	1,500,000
1	1,795,001	1,800,000	1,800,000
1	1,995,001	2,000,000	2,000,000
1	2,495,001	2,500,000	2,499,000
1	2,520,001	2,525,000	2,525,000
5,612			25,000,000



DAWOOD EQUITIES LIMITED

Shareholder's Category	Number of Shareholder	Number of Shares Held	Percentage
Individuals	5,556	13,693,681	54.77
Investment Companies	8	3,921,586	15.69
Joint Stock Companies	40	886,317	3.55
Mutual Fund	1	691,000	2.76
Financial Institution	4	3,306,588	13.23
Charitable Trust	1	181	0.00
Modaraba Company	1	2,499,000	10.00
Insurance Company	1	1,647	0.01
	5,612	25,000,000	100.00

ADDITIONAL INFORMATION

Shareholder's Category	Designation	Number of Shares Held	Category Wise No. of Shares Held	% Age
Directors & Chief Executive Officer	7	-	2,589,752	10.36
Mr. Muhammad Ayub	Director	2,525,000		10.10
Haji Abdul Ghani Haji Usman	Director	49,650		0.20
Mr. Muhammad Khalid	Director	99		0.00
Mr. Aziz Habib	Director	1		0.00
Mr. Junaid Zakaria Dada	Director	1		0.00
Mr. Abdul Qadir Sakhi	Director	1		0.00
Mr. Muhammad Munir Issani	Director / CEO	15,000		0.06

Banks, DFIs, NBFIs, Insurance Companies,
Modarabas and Mutual Funds & Others

56	-	11,306,319	45.23
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Shareholders holding ten percent
or more in the Company

Mr. Muhammad Ayub	2,525,000	-	10.10
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DAWOOD EQUITIES LIMITED

FORM OF PROXY

I/We, _____
of _____
Dawood Equities Limited appoint Mr./Mrs./Ms. _____
_____ of _____
as my proxy to vote for me/us and on my / our behalf at the Annual General Meeting to be held
on 31st day of October, 2009 at 7.30 p.m. and at any adjournment thereof.

As witnessed under my/our hand this _____ day of _____ 2009. _____

Signed by _____ in presence of

Signature and address of the witness

Signature and address of the witness

Please affix
revenue
stamp

Signature of member



DAWOOD EQUITIES LIMITED

Affix
correct
postage

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