

DAWOOD

Dawood Capital Management Ltd.

Manager of



**FIRST DAWOOD MUTUAL FUND
ANNUAL REPORT
2012**



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CORPORATE INFORMATION

Investment Advisor	Dawood Capital Management Limited 5B Lakson Square Building #1 Sarwar Shaheed Road Karachi 74200 Tel: (92-21) 3562-1001-7 Fax: (92-21) 3562-1010 E-mail: dcm@edawood.com Website: www.edawood.com		
Board of Directors	Mrs. Shafqat Sultana Miss Tara Uzra Dawood Mr. Masood A. S. Wahedna Mr. Nazimuddin Feroz Syed Shabahat Hussain Mr. Gul Nawaz	Chairperson Chief Executive Officer Director Director Director Director	(Nominee of BoK) (Nominee of BRRGM) (Nominee of NIT)
Chief Financial Officer & Company Secretary	Syed Kabiruddin		
Head of Internal Audit & Compliance Officer	Mr. Muhammad Farooq		
Audit Committee	Mr. Gul Nawaz Mr. Masood A. S. Wahedna Syed Shabahat Hussain	Chairman Member Member	
Human Resource Committee	Mrs. Shafqat Sultana Mr. Gul Nawaz Miss Tara Uzra Dawood	Chairperson Member Member	
Trustee	Central Depository Company of Pakistan CDC House, 99-B, Block-B, S.M.C.H.S. Main Shakra-e-Faisal, Karachi-74400		
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants		
Tax Advisor	Mazher Associates Block A1-E-, Faiza Avenue, 11C-1, North Karachi.		
Legal Adviser	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, 6-cl-10 Beaumont Road, Karachi.		
Bankers	Al Baraka Bank (Pakistan) Limited Buri Bank Limited Habib Metropolitan Bank Limited Silkbank Limited		
Registrars	F.D. Registrar Services (SMC-Pvt.) Ltd. Office# 1705, 17th Floor, Saima Trade Tower - A, I. I. Chundrigar Road, Karachi 74000		
Rating	PACRA: 2-Star		
AMC Rating	PACRA: AM3-		



Vision Statement

To be a leading, progressive and profitable mutual fund with a diverse, high yield, low risk portfolio.

Mission Statement

To offer our certificate holders the best possible return by expertly diversifying the Fund's investment portfolio into minimal risk and high yielding instruments and at all time to be a good corporate citizen



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of **Dawood Capital Management Ltd.** ("DCM" or the "Company") the Management Company of **First Dawood Mutual Fund** ("FDMF"/"the Fund") are pleased to present the Eighth Annual Report of the Fund along with the Audited Financial Statements, and Auditors' Report to the certificate holders for the year ended June 30, 2012.

This Report presents the financial, operating performance and progressive dynamic outlook of the fund under the challenging business environment.

Fund Performance

As at June 30, 2012, net assets were Rs. 495.75 million as compared to Rs. 549.71 million as at June 30, 2011. Total loss for the year was Rs. 19.25 million as opposed to total income of Rs. 80.29 million for the same period last year. Unrealized loss on revaluation of investments to Rs. 13.75 million as opposed to gain of Rs. 44.20 million last year. Total expenses were 15.55 million as compared to Rs. 15.26 million last year.

The net loss for the financial year 2011-12 was Rs. 34.80 million as opposed to income of Rs. 65.03 million. The loss is mainly derived from Equity Portfolio and Term Finance Certificates/Sukuks,

The Net Asset Value was Rs. 8.54 as at June 30, 2012.

(Loss)/Earnings per Certificate

As at June 30, 2012, Loss per Certificate was Rs. 0.60 as compared to earnings of Rs. 1.12 as at June 30, 2011.

Investing Activities/Strategy

The investment strategy devised for the Fund seeks to provide investors with balanced exposure to stocks, debt securities and money market instruments. The Fund's strategy aims to not only preserve investors' capital but also to maximize the value of their investments.

The portfolio management team selects investments using various analytical disciplines such as top-down fundamental research and quantitative screens in the light of country's macro indicators. In particular, the team seeks to include in its portfolios fundamentally strong sectors and companies, while dynamically rebalancing portfolios to benefit from predicted macro trends. Investments are diversified across a mix of sectors and investors are offered an optimized risk/return profile.

Dividend

The Board of Directors while reviewing the performance, decided to pay no dividend to certificate holders.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) assigned a "2 Star" rating to your Fund.

Pakistan's Economy

The year started with the reduction of 50 basis points in discount rate by the new State Bank governor to boost the economy and further it scaled down 150 bps (total 200bps) due to less inflationary pressure to 12% in 1HFY12, to assist in boosting the private sector credit and investment. However, State Bank of Pakistan adopted a wait-and-see approach, keeping the discount rate unchanged in 2HFY12. On the macroeconomic front, inflation rose sharply during the first month of the new fiscal year with a YoY CPI inflation touching 13.8% but it reduced near to single digit by the end of the year at an average 11.0% YoY.

Net government borrowings from central bank to finance the budget deficit were at an all time high at RS 1.28tn in FY12. Major reasons owing to this high borrowing requirement were insufficient foreign inflows, escalating government expenditures, lower than targeted revenue collection, losses of Public Sector Enterprises and huge rupee subsidies. A greater reliance was put onto commercial banking sectors (56% of the total borrowing for budgetary support or RS 704bn) to gain financial support.

After reaching high Foreign exchange reserves depletion and bringing the local currency to a record low level as political environment continued to remain volatile - involving government, judiciary and military leadership especially the Prime Minister of Pakistan disqualified by the Supreme Court for not writing a letter to Swiss authorities for the re-opening of graft cases against the President.

The rupee continued to lose its value due to tense relations between Pakistan and United States coupled with the absence of sizeable foreign inflows along with government's inability to contain budget deficit kept pressure on the exchange rate. Tensions persisted between Pak-US relations that increased during the first half of the year after an incident took place on Pakistani check post at Pak-Afghan border. Pak-US relations were at their lowest ebb post the NATO supply routes closure in Nov-2011, which stalled the potential Coalition Support Fund and Kerry-Lugar Bill flows.

However, remittances once again reached a record high level this year too but exports fell short of target due to low demand in the euro zone. The country not only missed the exports target but also witnessed highest ever trade deficit of \$21.271 billion during the last fiscal year 2011-12. On the other hand, the imports of the country also witnessed a new height and amounted to \$44.912 billion in the July-June period of the last fiscal year 2011-12 as compared with imports of \$40.414 billion during the previous fiscal year 2010-11, indicating an increase of 11.13 percent. Fiscal side, on the other hand, has remained a cause of concern for the economic managers.

The unending gas and electricity crisis and overall law and order situation of the country downed the 2011-12 textile exports by 17.7 percent, in dollar terms by \$1.432 billion as compared to 2010-11 exports but with a substantial growth of over 78 per cent, raw cotton export has reached all time high mark of 1.66 million bales at the end of last fiscal year 2011-2012 (FY12) mainly due to bumper cotton crop in the country and high demand in the world market.

While global economic headwinds continued to drive the domestic macroeconomic outlook, a multitude of events in FY12, such as the 200bps reduction in benchmark interest rates, oil price weakness toward the end of the fiscal year and higher GDP growth (3.7% against the anticipated 3%) on better agri-produce, provided

some good news in an increasingly challenging environment.

Headline Inflation

According to Federal Board of Statistics, the average headline inflation at 11.0% in FY12 as compared to 13.7% in FY11, 1.0% below government's target of 12.0%. However, CPI ex food and energy inflation picked up, at 10.5% in FY12 as opposed to 9.4% in FY11.

The aforesaid decline in headline numbers was mainly driven by reduction in food prices due to better domestic supplies and a decline in international prices. CPI food inflation decelerated to 11.0% in FY12 compared to 18.0% increase in FY11. Other than food, a significant decline in house rent inflation, which has 21.8% weight in the CPI basket, also contributed to lower CPI in FY12.

Despite decline in house rent inflation, increase in core inflation represents substantial rise in prices of other goods and services. This shows 1) inflationary expectations are becoming entrenched in the economy; 2) lack of price controls which is also collaborated by significant difference between wholesale and retail prices of different goods.

The government projects headline inflation to further decline to 9.5% in FY13. However, we expect price pressures to persist in FY13 due to increase in electricity tariffs, rupee devaluation and demand effects of an expansionary fiscal policy. We expect FY13 inflation to at 10.0-11.0%.

At present, the government, due to its inability to access external sources and maintain fiscal discipline, has an insatiable funding demand from the local markets. Even the current level of interest rates has been maintained due to substantial government borrowing from SBP and liquidity injections in the banking system by the central bank. In our opinion, a change in government's fiscal stance, together with more balanced funding of the fiscal deficit, is a prerequisite for any further decline in domestic interest rates.

Tax Collection

Tax collection remained a huge task and after setting a target of Rs 1952 billion at the start of the year the government remained short of around Rs 70 billion in tax collection. However this remained the highest tax collection by any government in history. Direct tax remained major source of FBR tax collection.

Stock Market

KSE-100 ended off FY12 with a respectable 10.45% gain YoY, which positions it amongst the better-performing markets within regional peers. 1HFY12 saw the market lose 9.19% and then recover the same and more in 2HFY12 by 21.62%. Index rallied in the second half due to certain encouragement measures like the promulgation of the Capital Gain Tax Ordinance, reduction in discount rate by the central bank and SECP notification about relaxation in MTS rules. Volumes and FPIs, too, depicted a broadly similar trend, where the US\$32.2mn/day traded value of 1HFY12 was comfortably trumped by 2HFY12 traded value of US\$52.6mn/day. On FPIs (adjusting for Hubco sales of US\$61mn and US\$65mn in Oct and June, respectively), 7 months of outflows (total US\$97mn) were followed by 4 months of inflows (US\$78mn). Overall, FPI saw

US\$63mn of outflows (US\$189mn incl Hubco) in FY12. The Pakistani Stock markets as compared with the other world indices performed reasonably well. Current government took steps to boost the confidence of the equity market investors.

While the market did enjoy a vibrant phase during 2HFY12, the vibrancy started to fade away toward the end of the year, due to 1) domestic politics, which saw the Prime Minister of Pakistan disqualified by the Supreme Court for not writing a letter to Swiss authorities for the re-opening of graft cases against the President; 2) a delay in re-setting of ties with the US, where the re-opening of NATO supply routes remained elusive, which, in turn, cast doubts over the outlook for expected sovereign flows and 3) dwindling macros most reflected in the currency weakness witnessed toward the end of the year.

Foreign Direct Investment

Foreign direct investment (FDI) in Pakistan in FY12 showed a massive decline of 50.3% to \$812.6 million from \$1.634 billion the preceding year. Oil and gas exploration, petroleum refining, beverages, electrical machinery, automobiles, construction, and textiles sectors recorded higher growth in FDI. Nevertheless, foreign direct investment in telecommunications, power and financial sectors witnessed a negative growth.

Debt Market Review

Similar to FY11, debt market remained under pressure throughout the FY12 also. Downgrading and downward valuation continues at MUFAP coupled with defaults of major investee companies led towards negative market sentiments. Also the pressured selling of debt scripts by mutual funds to meet liquidity requirements joined the party. These issues are still hampering the secondary market which leads 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 sovereign issues, industry is now attracting new investors with consistent yields.

Future Outlook

Pakistan's economy remains highly vulnerable because of continued security challenges, political uncertainty, worsen relationships between government and jurisdiction. Large fiscal deficits keep inflation high and limit growth, and the outlook for the short and medium term is not good. The media often focuses on the deteriorating security situation in Pakistan, but Pakistan's feeble economy may prove a more dangerous-but less visible-threat. While Pakistan was held decades ago as a shining example of economic progress in the developing world; its economy is now anemic, hobbled by a low savings rate, weak tax structure, a low investment in human capital, and the country's fraught political situation.

Moody's and Standard and Poor's (S&P) have reviewed Pakistan's current economic strength and future outlook and arrived at different conclusions. While Moody's downgraded Pakistan's sovereign credit rating by one notch, that is, from B3 to Caa1 with negative outlook, the S&P has maintained its previous rating for Pakistan at B-minus with stable outlook. Not surprisingly, Moody's also downgraded the ratings of five Pakistani commercial banks by one notch to B3 from B2 with negative outlook owing to their large exposure to government's debt securities.

This rating downgrade has severe economic implications. It will increase the confirmation charges of Letter of Credit thereby raising the cost of doing business in Pakistan. The cost of foreign and local currency borrowing is likely to rise with implications for debt-servicing. This entire cost is likely to be passed to the end consumers.

Going forward we believe in FY13 government borrowings requirement will mirror that witnessed in FY12. The government has set up a financing target of RS 1105bn in FY13. Domestic financing of estimated RS 484bn (or 43% of the total financing) will be raised through banks while RS 487bn or 44% (of the total financing) will be done through non-banks. The SBP has pushed for a net-zero financing from SBP, which we think would be overly optimistic to believe that government will restore to such policy keeping in mind already it has RS 564bn standing in its account. Whereas on the external side, bleak outlook over external funds will be a major risk pertaining to domestic borrowing. IMF due payments will also be a risky factor which amounts to USD 1.5bn in FY13.

There is huge economic opportunity for Pakistan if reforms are enacted. However, consensus on these reforms seems to have fled Pakistan. There are two possible reasons for this lack of consensus; either there is an information deficit and leaders do not understand the value of these reforms for Pakistan as a whole, or one constituency in Pakistan is shifting costs onto another constituency.

Pakistan has abundant economic potential. It is located in an economically dynamic neighborhood, is ready to massively benefit from increased regional trade, and has the potential demographic dividend of a young population eager for employment.

Several policy changes could be enacted in both the short- and medium-term to return Pakistan to a path of upward growth. In particular, Pakistan would need to enact fiscal, financial sector, and structural reforms. If Pakistan was able to do so, it would be able to contain vulnerabilities and move the economy to high and inclusive growth.

Looking ahead, election year considerations (higher development spending, salaries, targeted subsidies, and slower progress in increasing power tariff) are expected to keep fiscal pressures intact. The current focus on elections by Pakistani politicians would make it difficult to enact reforms.

Compliance with the Best Practices of the Code of Corporate Governance

The management company complies with the "Code of Corporate Governance" (Code) contained in the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Fund is managed in compliance with the best practices of Code. The directors of the Management Company hereby confirm the following as required by clause (xvi) of the Code:

- The financial statements, prepared by the management of the listed company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of account of the listed company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored with on going efforts to improve it further.
- There are no significant doubts upon the listed company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- The management company has planned to conduct orientation course for its directors, where necessary, in the near future to appraise them with their duties and responsibilities.
- There has been no trading during the year in the units of the Fund carried out by the Directors, Chief Executive Officer, Company Secretary and their spouses and their minor children.
- There are no statutory payment on account of taxes, duties, levies and charges outstanding.

Changes in Directors

A casual vacancy occurring on the board on February 17, 2011 is in the process as it needs prior approval of SECP as per NBFC Regulations to ensure the fit and proper criteria for director of NBFC.

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

Board of Directors Meetings

During the year, five meetings were held. The attendance of each Director is as follows:

S. No.	Name	Designation	Entitlement to Attend Meeting	Leave of Absences
1.	Mrs. Shafqat Sultana *	Chairperson	2	1
2.	Ms. Tara Uzra Dawood	Chief Executive	5	-
3.	Mr. Gul Nawaz	Director	5	-
4.	Mr. Masood A. S. Wahedna	Director	5	2
5.	Syed Shabahat Hussain	Director	5	-
6.	Mr. Nazimuddin Feroz	Director	5	2

* Appointed During the Year

Audit Committee Meeting

During the year, four meetings were held. The attendance of each member is as follows:

S. No.	Name	Designation	Entitlement to Attend Meeting	Leave of Absences
1.	Mr. Gul Nawaz	Chairman	4	-
2.	Mr. Masood A. S. Wahedna	Member	4	2
3.	Syed Shabahat Hussain	Member	4	-

Auditors

The present Auditor, M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants are due for retirement and being eligible, offer themselves for re-appointment. As required under the Code of Corporate Governance, The audit Committee of Management Company has recommended the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as auditors for the year ending June 30, 2013

Risk Management

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

FDMF is 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 the Bank is exposed to:

- Board's Audit Committee
- Investment Committee

Statement of Ethics and Business Practices

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



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.

DCM 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.

The Fund is also constantly upgrading its website www.edawood.com, which provides corporate product information.

Pattern of Certificate Holders as on June 30, 2012

The pattern of certificate holders as on June 30, 2012 along with disclosure as required under the Code of Corporate Governance is annexed.

Key Financial Highlights

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

Acknowledgement

The Directors wish to express their gratitude to the Securities & Exchange Commission of Pakistan and other regulatory bodies for their valuable support, assistance and guidance during these times of recovery. The Board also thanks the employees of the Asset Management Company and CDC for their dedication and hard work and the unit holders for their confidence in the Management.

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

**September 17, 2012
Karachi.**

Chairperson



REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2012

Fund Objective

First Dawood Mutual Fund's (FDMF) objective is to provide investors the opportunity to earn income and long term capital growth through balanced investments in equity, fixed income and money markets.

The funds has invested in long term equities for profit maximization and for risk minimization, a portion is invested in bank deposits and government securities.

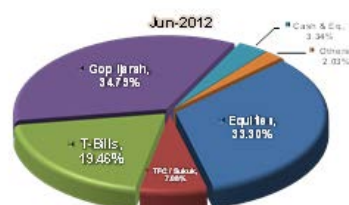
FUND PERFORMANCE

As at June 30, 2012, net assets were Rs. 495.75 million as compared to Rs. 549.71 million as at June 30, 2011. Total loss for the year was Rs. 19.25 million as opposed to total income of Rs. 80.29 million for the same period last year. Unrealized loss on revaluation of investments to Rs. 13.75 million as opposed to gain of Rs. 44.20 million last year. Total expenses were 15.55 million as compared to Rs. 15.26 million last year.

The net loss for the financial year 2011-12 was Rs. 34.80 million as opposed to income of Rs. 65.03 million. The loss is mainly derived from Equity Portfolio and Term Finance Certificates/Sukuks. The Net Asset Value was Rs. 8.54 as at June 30, 2012.

Fund posted a negative return of -6.34%. The main reason behind is offloading of equity securities considered non-performing for a very long time in terms of both, ion.

FDMF is a balanced fund which has a balanced exposure of equity, debt and money market investments. Fund maintained its liquidity at optimum levels throughout the year with major investments in bank deposits and government securities. Equity portion of the portfolio consists of dividend paying blue chip stocks, with major in Life Insurance (13.03%) and Oil & Gas (6.50%), due to strong earning potentials.



(Loss)/Earnings per Certificate

As at June 30, 2012, Loss per Certificate was Rs. 0.60 as compared to earnings of Rs. 1.12 as at June 30, 2011.

INVESTMENT STRATEGY

The investment strategy devised for the Fund seeks to provide investors with balanced exposure to stocks, fixed income and money market instruments. The Fund's strategy aims to not only preserve investors' capital but also to maximize the value of their investments.

The portfolio management team selects investments using various analytical disciplines such as top-down fundamental research and quantitative screens in the light of country's macro indicators. In particular, the team seeks to include in its portfolios fundamentally strong sectors and companies, while dynamically rebalancing portfolios to benefit from predicted macro trends. Investments are diversified across a mix of sectors and investors are offered an optimized risk/ return profile.

Break-up of total assets of the Fund as at June 30, 2012 is follows:

On June 30, 2012, the Fund has made equity investments of Rs. 167.52 million mostly in strong dividend payout and blue chip scripts representing 33.30% of the total assets. Major emphasis in building the portfolio was to accumulate those scripts which are under-priced and have huge growth potentials.

The Fund has debt investments of Rs. 35.63 million which is 7.08% of the total assets. Due to illiquid market conditions and defaults of the issuers, coupled with the non-availability of the active secondary markets for the scripts, fund maintained the holdings in these scripts with a view of recovering in long run. Few issuers have done their rescheduling and approached for settlements which, we hope, will help regaining the investors' confidence in the upcoming years.

The Fund has maintained the Government Securities (GoP Ijarah + T-Bills) portfolio of 272.90 million which is 54.25% of the total assets. It is the safest avenue to maintain consistency in returns while ensuring liquidity in term depressed market conditions.

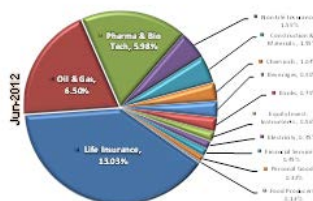
MAJOR STRATEGIES AND POLICIES EMPLOYED DURING FY12

On the basis of our objective of long term value investing and capital security, the Fund mostly adopted the strategy to invest only in liquid instruments. Details of major strategies and policies employed are as under:

STOCK INVESTMENTS

On the basis of our objectives of long term value investing, the Fund mostly adopted criteria to take new exposures in sectors/stocks that offered positive fundamentals and technical signals and reduced exposure from those sectors/stocks where fundamentals and technical became negative. Sector wise details of major strategies and policies employed are as under:

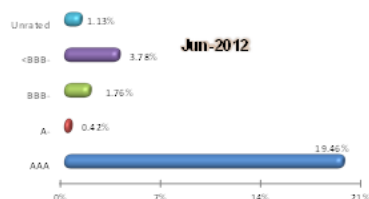
- Life Insurance: Fund maintained the same exposure in Life Insurance with major holding in NJI in the view of long term value investing and future growth.
- Oil & Gas: Fund maintained its holding in this sector with major exposure in Shell due to strong fundamentals.





DEBT/MONEY MARKET INVESTMENTS

During the year no major activity was observed in the debt investments due to illiquid market conditions. The Fund has maintained the optimum level of debt credit quality as at June30, 2012.



- Fund adopted the strategy to offload/settle as much debt securities at better rates to increase the liquidity as well as to optimize the allocation.
- Fund successfully reduced its corporate debt securities to 7.08% as compared to 23.83% in FY11.
- Fund has prudently provided its non-performing debt securities during the year to reflect the true value of its investment portfolio.
- The liquidity received from maturities was mainly invested in bank deposits and government securities which are the safest avenues to maintain consistency in returns while ensuring liquidity.

DIVIDEND

The Board of Directors while reviewing the performance, decided to pay NIL dividend to certificate holders.

TRUSTEE REPORT TO THE CERTIFICATE HOLDERS



Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of **First Dawood Mutual Fund** (the Fund) are of the opinion that **Dawood Capital Management Limited** being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the management company under the constitutive documents of the Fund; and
- (ii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: October 08, 2012



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

Statement of Compliance with the Code of Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The management company encourages representation of independent non-executive directors on its board of directors. At present the board includes:

Category	Names
Independent Directors	1. Mrs. Shafqat Sultana 2. Mr. Gul Nawaz
Executive Directors	1. Miss Tara Uzra Dawood - Chief Executive Officer
Non - Executive Directors	1. Mr. Masood A. S. Wahedna 2. Mr. Nazimuddin Feroz 3. Mr. Shabahat Hussain

The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this management company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the company.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the management company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. 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 employment of the CEO, other executive and non-executive directors, have been taken by the board.
7. The meetings of the board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, 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.
8. The management company arranged one orientation programs for its directors during the year.
9. No new appointment of CFO, Company Secretary and Head of Internal Audit were made during the year.

10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the fund were duly endorsed by Chief Executive Officer and Chief Financial Officer of the management company before approval of the board.
12. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the fund other than that disclosed in the pattern of certificate-holdings.
13. The management company has complied with all the corporate and financial reporting requirements of the Code.
14. The board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the fund and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has outsourced the internal audit function to Riaz Ahmad & Company Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the management company.
17. The Board has formed a Human Resource and Remuneration Committee subsequent to the year end. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is an independent non-executive director.
18. The statutory auditors of the fund 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 certificate of the fund 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 (ICAP).
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 International Federation of Accountants (IFAC) guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of scrip, was determined and intimated to directors, employees and stock exchange.
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
22. We confirm that all other material principles enshrined in the Code have been complied except for the following, towards which reasonable progress is being made by the management company to seek compliance by the end of next accounting year:
 - A casual vacancy occurred in the Board on February 17, 2011 which has not yet been filled as the SECP did not grant approval for appointment of persons applied to fill the said casual vacancy;

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

Tara Uzra Dawood

**September 17, 2012
Karachi.**



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

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

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 Management Company) of **First Dawood Mutual Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter X1) of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that Board of Directors of the Management company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personal and review of various documents prepared by the Management 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 Management 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 Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transaction 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 Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

We draw your attention to clause 22 of the Statement which mentions certain non-compliances with the Code.

Our opinion is not qualified in respect of the above matter.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi
Date: September 17, 2012

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Dawood Mutual Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2012, and the related statements of income, comprehensive income, distribution, cash flows and movement in certificate holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of Matter

We draw attention to Note 1.5 to the financial statements which indicate that the Fund is required to hold a unit holders' meeting to seek approval regarding conversion of the Fund to an open end collective investment scheme or revoke the Fund. However, these financial statements have been prepared on a going concern basis for the reasons given in the above referred note. Our report is not qualified in this respect.



Other Matters

The financial statements of the fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose report dated 07 September 2011 expressed an unqualified opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants
Audit Engagement Partner: Omer Chughtai

Date: September 17, 2012
Karachi

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012**

	Note	2012 Rupees	2011 Rupees
ASSETS			
Bank Balances	4	16,806,591	26,309,731
Investments	5	476,041,260	515,056,888
Mark-Up/Interest Receivable	6	6,494,764	2,544,287
Advances, Deposits and Other Receivables	7	3,711,226	9,996,330
Total Assets		503,053,841	553,907,236
Liabilities			
Payable to Management Company	8	933,576	935,229
Payable to Trustee	9	70,594	76,448
Annual Fee Payable to Securities and Exchange Commission of Pakistan	10	439,780	457,016
Accrued Expenses and Other Liabilities	11	5,414,986	2,443,531
Dividend Payable		446,903	282,450
Total Liabilities		7,305,839	4,194,674
NET ASSETS		495,748,002	549,712,562
Certificate Holders' Equity			
Issued, Subscribed and Paid-Up Capital	13	580,750,000	580,750,000
Accumulated Losses		(85,001,998)	(31,037,438)
		495,748,002	549,712,562
Number of Certificates		58,075,000	58,075,000
Net Asset Value per Certificate		8.54	9.47
Contingencies and Commitments	12		

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012 Rupees	2011 Rupees
INCOME			
Mark-Up/Interest Income on Investments and Bank Balances	14	45,880,635	31,015,483
Loss on Sale of Investments at Fair Value through Profit or Loss		(59,274,789)	(4,144,409)
Dividend Income		7,894,876	9,222,423
Unrealised (Diminution)/Appreciation in Value of Investments at Fair Value through Profit or Loss		(13,752,453)	44,197,199
Total Income		(19,251,731)	80,290,696
EXPENSES			
Remuneration of Dawood Capital Management Limited - Management Company	8	10,347,773	10,753,193
Sales tax on Management Fee	8.1	1,655,648	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	887,654	902,909
Annual Fee to Securities and Exchange Commission of Pakistan	10	439,780	457,016
Securities Transactions Cost		1,230,673	788,149
Auditors' Remuneration	15	315,000	237,000
Workers Welfare Fund		-	1,327,216
Legal and Professional Charges		-	51,154
Bank Charges		18,846	21,257
Fees and Subscription		599,630	573,653
Printing Charges		53,075	145,576
Total Expenses		15,548,079	15,257,123
Net (Loss)/Income for the Year		(34,799,810)	65,033,573
(Loss)/Earnings per Certificate	16	(0.6)	1.12

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



Annual Report 2012

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	Rupees	Rupees
Net (Loss)/Income for the Year	(34,799,810)	65,033,573
Other Comprehensive Income	-	-
Total Comprehensive (Loss)/Income for the Year	<u>(34,799,810)</u>	<u>65,033,573</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012 Rupees	2011 Rupees
Accumulated Losses Brought Forward		
- Realised Gain	122,803,686	101,849,416
- Unrealised Loss	(153,841,124)	(197,920,427)
	(31,037,438)	(96,071,011)
Final Distribution in the form of Cash Dividend for the Year Ended June 30, 2011 @ 3.3% (June 30, 2010: Nil)	(19,164,750)	-
Net (Loss)/Income for the Year	(34,799,810)	65,033,573
Accumulated Losses Carried Forward	(85,001,998)	(31,037,438)
Represented By:		
- Realised	82,447,938	122,803,686
- Unrealised	(167,449,936)	(153,841,124)
	(85,001,998)	(31,037,438)

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director

**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	Rupees	Rupees
Net Asset Value per Certificate at the Beginning of the Period	9.47	8.35
Loss on sale of Investments at Fair Value through Profit or Loss	(1.02)	(0.07)
Profit on Term Finance Certificates/Sukuks	0.30	0.28
Profit on Government Securities	0.45	0.19
Dividend Income	0.14	0.16
Profit on Bank Balances	0.04	0.06
Other Net Operating Expenses	(0.27)	(0.26)
Net (Loss)/Income for the Period	(0.36)	0.36
Less: Cash Dividend for the Year Ended June 30, 2011 @ 3.30% (June 30, 2010: Nil)	0.33	-
	8.78	8.71
Unrealised (Loss)/Gain on Remeasurement of Investments Classified as Financial Assets at Fair Value through Profit & Loss - Net	(0.24)	0.76
Net Asset Value per Certificate at the End of the Period	8.54	9.47

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012**

	Issued, Subscribed and Paid-Up Certificate Capital	Unappropriated Losses	Total
	Rupees		
Balance as at July 01, 2010	580,750,000	(96,071,011)	484,678,989
Total Comprehensive Income for the Year	-	65,033,573	65,033,573
Balance as at June 30, 2011	580,750,000	(31,037,438)	549,712,562
Total Comprehensive Loss for the Year	-	(34,799,810)	(34,799,810)
Final Distribution in the form of Cash Dividend for the Year			
Ended June 30, 2011 @ 3.3% (June 30, 2010: Nil)	-	(19,164,750)	(19,164,750)
Balance as at June 30, 2012	580,750,000	(85,001,998)	495,748,002

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/Income for the Year	(34,799,810)	65,033,573
Adjustments for:		
Mark-Up/Interest Income	(45,880,635)	(31,015,483)
Dividend Income	(7,894,876)	(9,222,423)
Loss on Sale of Investments at Fair Value through Profit or Loss	59,274,789	4,144,409
Unrealised Loss/(Gain) on Revaluation of Investments Classified as Fair Value through Profit or Loss	13,752,453	(44,197,199)
	(19,251,731)	(80,290,696)
	(15,548,079)	(15,257,123)
(Increase)/Decrease in Assets		
Advances, Deposits and Other Receivables	5,115,197	(4,970,107)
Investments	(34,011,614)	(61,676,695)
	(28,896,417)	(66,646,802)
Increase/(Decrease) in Liabilities		
Payable to Management Company	(1,653)	166,852
Payable to Trustee	(5,854)	8,546
Annual Fee payable to Securities & Exchange Commission of Pakistan	(17,236)	12,089
Accrued Expenses and Other Liabilities	2,971,455	1,332,604
	2,946,712	1,520,091
Cash Used in Operations	(41,497,784)	(80,383,834)
Profit Received on Term Finance Certificates/Sukuks	13,736,601	23,945,987
Profit Received on Treasury Bills	25,731,963	11,180,987
Profit received on Bank Balances	2,518,841	4,615,749
Dividend Income Received	9,007,536	9,140,102
Dividend Paid	(19,000,297)	-
Net Cash Outflow from Operating Activities	(9,503,140)	(31,501,009)
Net Decrease in Cash and Cash Equivalents	(9,503,140)	(31,501,009)
Cash and Cash Equivalents at Beginning of the Year	26,309,731	57,810,740
Cash and Cash Equivalents at End of the Year	16,806,591	26,309,731

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** First Dawood Mutual Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (NBFC Rules). Formation of the Fund as closed end fund was authorised by Securities and Exchange Commission of Pakistan (SECP) on 28 January 2005. It has been established under Trust Deed, dated 08 December 2004, between Dawood Capital Management Limited as the Management Company, a listed company incorporated under the Companies Ordinance, 1984 with registered office at 5B Lakson Square Building No. 1, Sarwar Shaheed Road Karachi, Pakistan and Central Depository Company of Pakistan Limited, as the Trustee, a public limited company incorporated under the Companies Ordinance, 1984 duly approved by SECP. The Fund is listed on Karachi Stock Exchange. The certificates of the Fund were offered for public subscription from March 21, 2005 to March 22, 2005. The Fund started investing activities from 25 February 2005.
- 1.2** The policy of the fund is to invest in a mix of traded securities covering debt, equity, money market transactions (such as financing arrangements under Margin Trading System and inter-bank placements. Etc.).
- 1.3** Titles to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.
- 1.4** Asset Manager Rating (AMR) of Management Company is 'AM3-' and that of Fund is 2 star, rated by Pakistan Credit Rating Agency (PACRA).
- 1.5** According to clause 65 of the Non-Banking Finance Companies and Notifies Entities Regulations, 2008 (NBFC Regulations), a closed-end fund shall, upon expiry of every five years from November 21, 2007 or the date of launch of the fund whichever is later, hold a meeting of certificate holders within one month of such period to seek approval of the certificate holders (by special resolution), to convert into an open-end scheme or revoke the closed-end scheme.

A meeting of certificate holders will be held in this regard on 20th December 2012.

Hence, the future operations of the Fund are dependent on the above referred approval from the certificate holders of the Fund. However, the management believes that the winding up of the Fund will not have any material impact on the carrying amounts of assets and liabilities for the reason that such values are not materially different from the expected realisable/settlement amounts of the assets and liabilities of the Fund. Accordingly, these financial statements have been prepared on a going concern basis.

2. BASIS OF PREPERATION

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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for investments which are accounted for as stated in notes 3.1 and 3.2 below.

2.3 Functional and Presentation Currency

These financial statements have been presented in Pakistan Rupees which is the functional and presentation currency of the Fund.

2.4 Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and 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 result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies/notes in the financial statements.

2.5 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 described below:

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

- IFRS 7 - Financial Instruments: Disclosures (Amendment)
- IAS 24 - Related Party Disclosures (Revised)
- IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below

- IFRS 7 - Financial Instruments: Disclosures - Clarification of disclosures
- IAS 1 - Presentation of Financial Statements - Clarification of statement of changes in equity
- IAS 34 - Interim Financial Reporting - Significant events and transactions
- IFRIC 13 - Customer Loyalty Programmes - Fair value of award credits

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investments

The investments, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity investment or available for sale investment, as appropriate, in accordance with the requirements of International Accounting Standards (IAS) 39; 'Financial Instruments : Recognition and Measurement'.

All investments are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit and loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are charged in the income statement.

All regular way purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investment. Regular way purchases and sales of investments require delivery of securities within the time frame generally established by regulation or market convention.

The investments of the Fund are classified in the following categories:

a) Financial Assets 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. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. After initial measurement, such investments are carried at fair value and the gains or losses on revaluation are recognised in the income statement in the period in which they arise.

b) Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise of bank balances, receivable from the sale of securities, advances, deposits and profit receivable.

c) 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 except for in case of debt securities (listed but not regularly traded on a stock exchange) and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations and directives issued by SECP.

d) Available for Sale

These are non-derivative financial assets that are designated as available-for-sale and may be sold in response to needs for liquidity or changes in interest rates or market prices or are not classified in any of the three other categories. After initial measurement, such investments are measured at fair value with unrealised gains or losses recognised in other comprehensive income as a part of the certificate holders' fund until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in certificate holders' fund is taken to the income statement.

Fair Value of Investments is Determined as Follows:

Equity Securities:

Fair value of equity securities is determined on the basis of price quoted on the Karachi Stock Exchange at balance sheet date.

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 the SECP's Circular No. 1 of 2009 dated 06 January 2009, read with Regulation 66(b) of the NBFC Regulations.

Fair value of unlisted debt securities, other than government securities, is also determined by reference to the average rates notified by MUFAP and where such rates are not so notified, with reference to quotations obtained from brokerage houses.

Government Securities:

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

3.2 Impairment

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement and are reversed through the profit and loss account as well.

Provision of non-performing debt securities is made on the basis of time based criteria as prescribed under Circular No. 01 of 2009 issued by the Securities and Exchange Commission of Pakistan.

To fulfill the requirement of SECP Circular No. 13 dated 04 May 2009 the BOD approved a comprehensive provisioning policy whereby the Investment Committee can make accelerated provision against any debt security or exposure other than debt security after considering the financial difficulties of the issuer, probability of the borrower entering bankruptcy or financial reorganization, deterioration of key financial ratios, down grade of credit rating, measurable decrease in cash flows and industry outlook.

3.3 Derecognition

All investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and either (a) the Fund has transferred substantially all risks and rewards of ownership or (b) the Fund has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred the control of the asset.

3.4 Securities under Repurchase/Resale Agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement using the effective interest method.

3.5 Net Asset Value per Certificate

The net asset value per certificate disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of certificates in circulation at yearend. Net assets are defined in NBFC Regulation, 2008 clause 66.

3.6 Taxation

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income excluding realised and unrealised capital gain for the year is distributed amongst the certificate holders. Accordingly, no provision is made for current and deferred taxation in these financial statements.

3.7 Revenue Recognition

Gains/(losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

Dividend income is recognised when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, bank deposits, commercial papers, federal government securities and investments in debt securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

3.8 Financial Instruments

All the financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cashflows related to the asset expire. 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 the income statement in the period in which it arises.

3.9 Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are only offset and net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.10 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 equivalents consist of bank balance net of short term running finance under markup arrangements, if any.

3.11 Provision

A provision is recognised in the statement of assets and liabilities when the Fund has a legal or constructive obligation as a result of past event 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 the obligation. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

3.12 Distribution to Certificate Holders

Distribution to certificate holders is recognised upon declaration and approval by the Board of Directors of the management company.

3.13 Accounting Standards and Interpretations 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 (Annual Periods Beginning on or After)
IFRS 7 - Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 - Presentation of Financial Statements - Presentation of items of comprehensive income	01 July 2012
IAS 12 - Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 - Employee Benefits -(Amendment)	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

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

In addition to the above, 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	IASB Effective Date (Annual Periods Beginning on or After)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
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

	Note	2012 Rupees	2011 Rupees
4. BANK BALANCES			
PLS Saving Accounts	4.1	16,602,954	26,284,893
Current Accounts		203,637	24,838
		<u>16,806,591</u>	<u>26,309,731</u>

4.1 Profit rates on savings accounts range from 5% to 11.5% (2011: 4.75% to 10.75%) per annum.

5. INVESTMENTS

At Fair Value through Profit or Loss

Listed Equity Securities	5.1	167,516,374	207,938,139
Government Securities	5.2	272,898,880	175,148,222
Listed Term Finance Certificates and Sukuks	5.3	9,764,442	28,209,713
Unlisted Term Finance Certificates and Sukuks	5.4	25,861,564	103,760,814
		<u>476,041,260</u>	<u>515,056,888</u>

5.1 At Fair Value through Profit or Loss Listed Equity Securities

All shares/certificates have a nominal value of Rs 10 each, unless otherwise stated.

Sector & Scrips	Quoted		No of Scrips		Rupees		Percentage of Net Assets on the Basis of Market Value	Percentage of Total Investments on the Basis of Market Value	
	Opening Balance as at 01 July 2011	Purchased During the Period	Bonus/ Right Issue	Sold During the Period	Closing Balance as at 30 June 2012	Cost as at 30 June 2012			Market Value as at 30 June 2012
OIL AND GAS									
Pakistan Oilfields Limited	-	287,026	-	277,026	10,000	3,697,181	3,669,400	(27,781)	0.74
Attock Refinery Limited	17,500	290,000	-	297,500	10,000	1,251,078	1,228,700	(22,378)	0.25
Pakistan State Oil Company Limited	7,500	94,606	-	97,106	5,000	1,239,361	1,179,200	(60,161)	0.24
Mari Gas Company Limited	-	10,000	-	10,000	-	-	-	-	0.00
Attock Petroleum Limited	-	33,080	-	33,080	-	-	-	-	0.00
Shell Pakistan Limited	79,719	5,281	20,000	5,000	100,000	20,667,445	12,783,000	(7,884,445)	2.58
Pakistan Petroleum Limited	5,000	119,077	-	114,077	10,000	1,936,575	1,882,900	(53,675)	0.38
National Refinery Limited	10,789	97,446	-	69,235	39,000	11,421,967	9,024,210	(2,397,757)	1.82
Oil & Gas Development Company Limited	-	45,000	-	45,000	-	-	-	-	0.00
Byco Petroleum Pakistan Limited	1,000,000	325,000	-	975,000	350,000	3,864,326	2,950,500	(913,826)	0.60
CHEMICALS									
ICI Pakistan Limited (note 5.1.1)	15,000	29,500	-	39,500	5,000	674,996	655,350	(19,646)	0.13
Fuji Fertilizer Bin Qasim Limited	50,000	213,900	-	263,900	-	-	-	-	0.00
Engro Corporation Limited	30,000	161,020	-	191,020	-	-	-	-	0.00
Arif Habib Corporation Limited	-	705,710	2,500	658,210	50,000	1,757,000	1,546,500	(210,500)	0.31
Fuji Fertilizer Company Limited	-	207,500	-	197,500	10,000	1,111,249	1,110,500	(749)	0.22
Engro Polymer & Chemicals Limited	165,415	50,000	-	215,415	-	-	-	-	0.00
Lotte Pakistan PTA Limited	-	300,000	-	200,000	100,000	788,567	703,000	(85,567)	0.14
Fatima Fertilizer Company Limited	-	427,089	-	377,089	50,000	1,249,639	1,233,500	(16,139)	0.25
INDUSTRIAL METALS AND MINING									
International Industries Limited	-	25,000	-	25,000	-	-	-	-	0.00
CONSTRUCTION AND MATERIALS									
Cherat Cement Company Limited	-	180,000	-	180,000	-	-	-	-	0.00
Fuji Cement Company Limited	1,164,439	100,000	-	1,264,439	-	-	-	-	0.00
D.G. Khan Cement Company Limited	30,000	709,855	-	614,855	125,000	5,328,678	4,922,500	(406,178)	0.99
Lucky Cement Limited	50,000	513,569	-	538,569	25,000	3,018,268	2,884,750	(133,518)	0.58
Al-Abbas Cement Industries Limited	-	25,000	-	25,000	-	-	-	-	0.00
GENERAL INDUSTRIALS									
Ecopack Limited	1,109,066	-	-	1,109,066	-	-	-	-	0.00
REAL ESTATE INVESTMENTS AND SERVICES									
Pace (Pakistan) Limited	-	50,000	-	50,000	-	-	-	-	0.00

Quoted	No of Scrips	Rupees	Percentage of Net Assets on the Basis of Market Value	Percentage of Total Investments on the Basis of Market Value						
Sector & Scrips	Opening Balance as at 01 July 2011	Purchased During the Period	Bonus/ Right Issue	Sold During the Period	Closing Balance as at 30 June 2012	Cost as at 30 June 2012	Market Value as at 30 June 2012	Appreciation/ (Diminution)	Percentage of Net Assets on the Basis of Market Value	Percentage of Total Investments on the Basis of Market Value
BEVERAGES										
Murree Brewery Company Limited	40,994	-	4,099	-	45,093	1,708,361	4,516,515	2,808,154	0.91	0.95
FOOD PRODUCERS										
JDW Sugar Mills Limited	30,000	-	-	30,000	-	-	-	-	0.00	0.00
JDW Sugar Mills Limited-LOR	-	3,000	-	3,000	-	-	-	-	0.00	0.00
Shakarganj Mills Limited (R.C.Pref) 8.5%	399,900	-	-	399,900	-	-	-	-	0.00	0.00
Engro Foods Limited	-	1,30,000	-	1,20,000	10,000	654,881	644,500	(10,381)	0.13	0.14
PERSONAL GOODS										
Nishat Mills Limited	50,000	306,164	-	331,164	25,000	1,296,712	1,189,500	(107,212)	0.24	0.25
NishatChumian Limited	-	50,000	-	25,000	25,000	500,235	434,750	(65,485)	0.09	0.09
Azgard Nine Limited - 8.95% Preference shares	506,932	-	-	-	506,932	5,017,866	-	(5,017,866)	0.00	0.00
PHARMA AND BIO TECH										
Otsuka Pakistan Limited	257,001	500	-	-	257,501	10,880,066	9,231,411	(1,648,655)	1.86	1.94
GlaxoSmithKline (Pakistan) Limited	298,490	1,510	30,000	-	330,000	28,150,314	20,869,200	(7,281,114)	4.21	4.38
FIXED LINE TELECOMMUNICATION										
TRG Pakistan Limited	-	225,000	-	225,000	-	-	-	-	0.00	0.00
CalmateTeleps Telecom Limited	213,221	-	-	-	213,221	12,095,484	-	(12,095,484)	0.00	0.00
Pakistan Telecommunication Company Limited	300,000	250,000	-	550,000	-	-	-	-	0.00	0.00
ELECTRICITY										
NishatChumian Power Limited	-	25,000	-	25,000	-	-	-	-	0.00	0.00
Karachi Electric Supply Company Limited	-	121,552	-	71,552	50,000	169,168	162,000	(7,168)	0.03	0.03
The Hub Power Company Limited	-	180,000	-	130,000	50,000	1,996,617	2,094,500	97,883	0.42	0.44
COMMERCIAL BANKS										
Faysal Bank Limited	-	25,000	-	-	25,000	317,450	273,500	(43,950)	0.06	0.06
The Bank of Punjab	400,000	53,999	-	453,999	-	-	-	-	0.00	0.00
National Bank of Pakistan	-	351,646	2,000	331,646	22,000	1,068,294	957,880	(110,414)	0.19	0.20
Bank Al-Habib Limited	162,000	60,000	1,500	223,500	-	-	-	-	0.00	0.00
Habib Bank Limited	-	10,632	1,000	11,632	-	-	-	-	0.00	0.00
Bank Al-Falah Limited	400,000	400,000	-	800,000	-	-	-	-	0.00	0.00
MCB Bank Limited	-	92,084	-	92,084	-	-	-	-	0.00	0.00
United Bank Limited	-	60,181	-	60,181	-	-	-	-	0.00	0.00
Habib Metropolitan Bank Limited	140,239	-	-	-	140,239	2,637,506	2,420,525	(216,981)	0.49	0.51
Askari Bank Limited	56,650	-	-	106,650	25,000	395,001	339,250	(55,751)	0.07	0.07
Summi Bank Limited	225,000	-	-	225,000	-	-	-	-	0.00	0.00
Silkbank Limited	-	25,000	-	25,000	-	-	-	-	0.00	0.00

Sector & Scrips	Opening Balance as at 01 July 2011	Purchased During the Period	Bonus/ Right Issue	Sold During the Period	Closing Balance As At 30 June 2012	Cost as at 30 June 2012	Market Value as at 30 June 2012	Appreciation/ (Diminution)	Percentage of Net Assets on the Basis of Market Value	Percentage of Total Investments on the Basis of Market Value
NON LIFE INSURANCE										
Askari General Insurance Company Limited	117,441	2,750	14,494	134,685	-	-	-	-	0.00	0.00
Atlas Insurance Limited	47,997	-	-	47,997	-	-	-	-	0.00	0.00
Adamjee Insurance Company Limited	56,181	53,035	-	109,216	-	-	-	-	0.00	0.00
Pakistan Reinsurance Company Limited	485,777	204,223	-	222,480	467,520	12,154,756	7,999,265	(4,155,491)	1.61	1.68
LIFE INSURANCE										
American Life Insurance Company (Pakistan) Limited	1,500,337	-	-	5,300	1,495,037	28,119,042	27,209,673	(909,369)	5.49	5.72
Jubilee Life Insurance Company Limited (formerly New Jubilee Life Insurance Company Limited)	675,002	-	-	102,502	572,500	17,098,586	38,363,225	21,264,639	7.74	8.06
Beema Pakistan Company Limited	35,500	-	-	-	35,500	73,825	-	(73,825)	0.00	0.00
FINANCIAL SERVICES										
Jahangir Siddiqui Company Limited	-	75,000	-	75,000	-	-	-	-	0.00	0.00
Dawood Equities Limited	1,249,000	-	-	249,000	1,000,000	12,408,223	2,240,000	(10,168,223)	0.45	0.47
EQUITY INVESTMENT INSTRUMENTS										
B.R.R. Guardian Modaraba - a related party	1,141,500	-	-	2	1,141,498	8,727,495	2,796,670	(5,930,825)	0.56	0.59
MULTIUTILITIES (GAS AND WATER)										
Sui Southern Gas Company Limited	120,000	10,001	-	130,001	-	-	-	-	0.00	0.00
							<u>203,476,212</u>	<u>167,516,374</u>	<u>(35,959,838)</u>	

5.1.1.1 The scheme of arrangement for reconstruction of ICI Pakistan Limited was executed on June 27, 2012 whereby the paints business and all assets, rights, liabilities and obligations pertaining thereto have been separated and vested into AkzoNobel Pakistan Limited. As a consequence of the transfer and vesting, AkzoNobel Pakistan Limited issued Ordinary shares of Rs.10 each and such allotment is made in proportion of 66.54:33.46 based on the net assets of the paints business with reference to the total net assets of ICI Pakistan Limited. Consequently the Fund's holding of 5,000 shares of ICI Pakistan Limited as on June 27, 2012 is reduced to 3,327 Ordinary shares of ICI Pakistan Limited and 1,673 Ordinary shares of AkzoNobel Pakistan Limited issued to the Fund.

5.2 Government Securities

Type of Instrument	Issue Date	Tenor	Face Value				Market Value as at 30 June 2012	Unrealised Loss	Percentage of Net Assets on the Basis of Market Value	Percentage of Total Investments on the Basis of Market Value
			As at 01 July 2011	Purchases During the Year	Sales During the Year	Maturities During the Year				
..... Rupees										
Market Treasury Bills	21-Apr-11	3 Months	130,000,000	-	-	130,000,000	-	-	-	-
	16-Jun-11	3 Months	32,000,000	-	-	32,000,000	-	-	-	-
	24-Mar-11	6 Months	15,000,000	-	-	15,000,000	-	-	-	-
	14-Jul-11	3 Months	-	140,000,000	-	140,000,000	-	-	-	-
	8-Sep-11	3 Months	-	32,000,000	-	32,000,000	-	-	-	-
	6-Oct-11	3 Months	-	140,000,000	-	140,000,000	-	-	-	-
	1-Dec-11	3 Months	-	50,000,000	-	50,000,000	-	-	-	-
	6-Oct-11	6 Months	-	152,000,000	-	152,000,000	-	-	-	-
	26-Jan-12	3 Months	-	15,000,000	-	15,000,000	-	-	-	-
	23-Feb-12	3 Months	-	83,000,000	-	83,000,000	-	-	-	-
	5-Apr-12	3 Months	-	175,000,000	-	175,000,000	-	-	-	-
	19-Apr-12	3 Months	-	16,000,000	-	16,000,000	15,944,267	(1,579)	3.2	3.3
	17-May-12	3 Months	-	83,000,000	-	83,000,000	81,974,951	(18,759)	16.5	17.2
Gop - Ijarah Sukuk	28-Jun-12	3 Years	-	175,000,000	-	175,000,000	175,000,000	-	35	37
						<u>274,000,000</u>	<u>272,919,218</u>	<u>(20,338)</u>		

5.2.1 The Market Treasury Bills have a purchase yield ranging between 11.63% and 11.93% per annum. These Market Treasury Bills will mature latest by 09 August 2012.

5.2.2 The GOP Ijarah Sukuk carries markup of 11.94% (2010: Nil) per annum with coupon payments due on half yearly basis and will mature by 28 June 2015.

5.3 Listed Term Finance Certificates and Sukuks

Name of Security	Note	As at 01 July 2011	Purchases During the Year	Sold During the Year	Redemptions During the Year	As at 30 June 2012	Cost as at 30 June 2012	Market Value as at 30 June 2012	Unrealised Gain/(Loss)/ (Impairment)	Percentage of Net Assets on the Basis of Carrying Value	Percentage of Total Investments on the Basis of Carrying Value
Financial Services											
Escort Investment Bank Limited (15-03-07)		1,000	-	-	1,000	1,248,990	920,950	(328,040)		0.19	0.19
Trust Investment Bank Limited (04-07-08)		5,000	-	-	5,000	9,371,250	8,843,492	(527,758)		1.78	1.86
Real Estate Investment and Services											
Pace (Pakistan) Limited (15-02-08)	5.3.1	2,000	-	-	2,000	9,988,000	-	(9,988,000)		0.00	0.00
Telecommunication											
Telecard Limited (27-05-05)	5.3.2	3,715	-	-	3,715	6,818,728	-	(6,818,728)		0.00	0.00
Total						27,426,968	9,764,442	(17,662,526)		1.97	2.05

5.3.1 Pace (Pakistan) Limited defaulted on its payment of principal and markup due on 21 August 2011. Consequently, the security was classified as non-performing by MUFAP on 05 September 2011 and accrual on the same was suspended. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.

5.3.2 Telecard Limited defaulted on its payment of principal and markup due on 28 May 2011. Consequently, the security was classified as non-performing by MUFAP on 13 June 2011 and accrual on the same was suspended. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.

5.4 Unlisted Term Finance Certificates and Sukuks

Name of Security	Note	As at 01 July 2011	Purchases During the Year	Sold During the Year	Redemptions During the Year	As at 30 June 2012	Cost as at 30 June 2012	Market Value as at 30 June 2012	Unrealised Gain/(Loss)/ (Impairment)	Percentage of Net Assets on the Basis of Carrying Value	Percentage of Total Investments on the Basis of Carrying Value
Term Finance Certificates											
.....Number of Certificates..... Rupees											
Financial Services											
Grays Leasing Company Limited (04-07-08)		900	-	-	(900)	-	-	-	-	0.00	0.00
Cable & Electric Goods											
New Allied Electronics Industries Limited (15-05-07)	5.4.1	3,417	-	-	-	3,417	7,222,749	-	(7,222,749)	0.00	0.00
Hotels											
Avani Hotel Limited. (30-04-09)		507	-	-	-	507	2,151,170	2,093,597	(57,573)	0.42	0.44
Information Technology											
Traakker Pakistan Limited. (15-09-07)		50	-	-	(50)	-	-	-	(7,280,322)	0.00	0.44
Sukuks											
Financial Services											
Invest Capital Investment Bank limited (12-05-08)	5.4.2	5,000	-	-	-	5,000	19,461,809	-	(19,461,809)	0.00	0.00
BRR Guardian Modaraba (Sukuk) (07-06-08) - a related party		5,000	-	-	-	5,000	24,140,625	18,105,467	(6,035,158)	3.65	3.8
Textile											
Amtext Limited	5.4.3	6,000	-	-	-	6,000	22,500,000	-	(22,500,000)	0.00	0.00
Construction and Material											
Kohat Cement Company Limited (20-12-07)	5.4.4	5,000	-	-	-	5,000	7,550,000	5,662,500	(1,887,500)	1.14	1.19
Maple Leaf Cement Limited (03-12-07)	5.4.5	12,110	-	-	-	12,110	54,372,445	-	(54,372,445)	0.00	0.00
Maple Leaf Cement Limited (Additional Sukuk) (31-03-10)	5.4.6	454	-	-	-	454	2,270,000	-	(2,270,000)	0.00	0.00
							130,294,87	23,767,967	(106,526,912)	4.79	4.99
Total							139,668,798	25,861,564	(113,807,234)	5.21	5.43

- 5.4.1** New Allied Electronics Industries Limited defaulted on its payment of principal and markup due on 25 December 2008. Consequently, the security was classified as non-performing by MUFAP on 09 January 2009 and accrual on the same was suspended. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.
- 5.4.2** Invest Capital Investment Bank Limited defaulted on its payment of principal and markup due on 12 August 2010. Consequently, the security was classified as non-performing by MUFAP on 26 August 2010 and accrual on the same was suspended. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.
- 5.4.3** Amtex Limited (Sukuk) defaulted on its payment of principal and markup due on 22 December 2010. Consequently, the security was classified as non-performing by MUFAP on 06 January 2011 and accrual on the same was suspended. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.
- 5.4.4** During the year, the Sukuk issued by Kohat Cement Company Limited was restructured. As per the revised terms:
- From September 2012 current markup will be paid on the respective due dates
 - From September 2014 payment of frozen markup will be started. All the accumulated balance in the frozen account will be paid off till June 2016.
 - The current markup rate will be 3 months KIBOR plus 1.5%.
- The Company has been regular on its payments as per the restructuring agreement. Furthermore, during the period the issuer by exercising call option for early payment of outstanding principal amount made part payment representing 30% of principal amount due.
- 5.4.5** Maple Leaf Cement Factory (MLCF) defaulted on the installment due on 03 September 2011 as per the restructured agreement. Consequently, the security was classified as non-performing by MUFAP on 19 September 2011 and accrual on the same has been suspended. Accordingly, provision has been made in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.
- 5.4.6** This represents additional sukuk of MLCF received by the Fund through restructuring agreement reached between lenders and MLCF. Under such agreement outstanding mark up due on 03 December 2009 amounting to Rs. 4.69 million was settled partially in cash and partially in the form of sukuk certificates valuing Rs. 2.27 million. The sukuk accrues mark-up on 3 month KIBOR + 100 basis points per annum and interest payments on the same are being received regularly, while principal redemption payments have not been received which were due in March 2012. The said issue has been accordingly classified as non-performing by Mutual Fund Association of Pakistan (MUFAP) and a provision has been made in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy.

	2012 Rupees	2011 Rupees
6. MARK-UP/INTEREST RECEIVABLE		
On		
- Bank Deposits	139,200	158,578
- Investments		
Term Finance Certificates and Sukuk Certificates-Net	6,184,294	2,385,709
Government Securities	171,270	-
	<u>6,494,764</u>	<u>2,544,287</u>
7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES		
Advance Tax	138,726	138,726
Security Deposit with		
- Central Depository Company of Pakistan Limited	50,000	50,000
- National Clearing Company of Pakistan Limited	3,500,000	3,500,000
	3,550,000	3,550,000
Dividend Income Receivable	22,500	1,135,200
Receivable from National Clearing Company of Pakistan Limited	-	5,172,404
	<u>3,711,226</u>	<u>9,996,330</u>

8. PAYABLE TO MANAGEMENT COMPANY

Dawood Capital Management Limited - the management company is entitled to remuneration for services rendered to the Fund under Regulation 61 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent of such assets of the Fund. The rate used by the management company (and the Fund) is 2 percent per annum of the average daily net assets of the Fund as disclosed in the offering document.

- 8.1** During the current year, an amount of Rs. 1,655,648 (30 June 2011: Rs Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

9. PAYABLE TO TRUSTEE

According to the provision of the Trust deed of the Fund the Central Depository Company of Pakistan Limited - the trustee is entitled to a monthly remuneration for services rendered as follows:

On Net Assets:

Up to Rs 250 million	0.20% per annum of the Net Assets.
Up to Rs. 250 million to Rs. 500 million	Rs.0.5 million plus 0.15% per annum of the Net Assets exceeding Rs. 250 million
Up to Rs. 500 million to Rs. 2,000 million	Rs.0.875 million plus 0.08% per annum of the Net Assets exceeding Rs. 500 million
Up to Rs. 2,000 million to Rs. 5,000 million	Rs.2.075 million plus 0.06% per annum of the Net Assets exceeding Rs. 2,000 million
Above Rs 5,000 million	Rs 3.875 plus 0.05% per annum of the Net Assets exceeding Rs 5,000 million

Any upward increase in the Trustee's remuneration would require SECP's approval and amendment in the Trust Deed. However, any downward shift in the Trustee's remuneration will not require such an approval.

10. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay SECP an amount equal to 0.085% of the average daily net assets.

	2012 Rupees	2011 Rupees
11. ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditor's Remuneration	227,800	195,000
Securities' Transaction Cost Payable	76,780	256,707
Other Payables	677,608	664,608
Payable to National Clearing Company Pakistan Limited	3,105,582	-
Workers Welfare Fund Payable	1,327,216	1,327,216
	<u>5,414,986</u>	<u>2,443,531</u>

12. CONTINGENCIES AND COMMITMENTS

There are no contingencies or commitments as at June 30, 2012.

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid ordinary certificates of Rs 10 /- each

2012 (Number of Certificates)	2011		2012 Rupees	2011 Rupees
50,000,000	50,000,000	Issued for fully paid in Cash	500,000,000	500,000,000
8,075,000	8,075,000	Issued as fully paid Bonus Certificates	80,750,000	80,750,000
<u>58,075,000</u>	<u>58,075,000</u>		<u>580,750,000</u>	<u>580,750,000</u>

14. MARK-UP/INTEREST INCOME ON INVESTMENTS AND BANK BALANCES

Return on:		
- PLS and Term Deposit Accounts	2,499,464	3,569,629
- Investments		
Term Finance Certificates and Sukuk Certificates	17,535,185	16,264,867
Government Securities	25,845,986	11,180,987
	<u>45,880,635</u>	<u>31,015,483</u>

	2012	2011
	Rupees	Rupees
15. AUDITORS' REMUNERATION		
Annual Audit	180,000	150,000
Half Yearly Review	60,000	42,000
Review of Statement of Compliance with the Code of Corporate Governance	45,000	45,000
Out of Pocket Expenses	30,000	-
	<u>315,000</u>	<u>237,000</u>
16. (LOSS)/EARNINGS PER CERTIFICATE		
(Loss)/Income for the Year	(34,799,810)	65,033,573
Weighted Average Certificates Outstanding During the Year	58,075,000	58,075,000
(Loss)/Earnings per Certificate - Basic and Diluted	<u>(0.6)</u>	<u>1.12</u>

17. TRANSACTIONS WITH RELATED PARTIES/CONNECTED PERSONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include investment advisor, associated companies and key management personnel and their family members.

Transactions with the related parties are executed substantially on the same terms, including mark up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method).

Remuneration of investment advisor and trustees are determined in accordance with the respective agreement and deed.

Details of transactions with related parties and balances with them as at the year-end were as follows:

	2012	2011
	Rupees	Rupees
Management Company		
Balances at the Beginning of the Year	935,229	768,377
Remuneration for the Year	10,347,773	10,753,193
Sales Tax on Management Fee	1,655,648	-
Reimbursement of Formation & Floatation Cost During the Year	-	-
Remuneration Paid During the Year	<u>(12,005,074)</u>	<u>(10,586,341)</u>
Balances at the End of the Year	<u>933,576</u>	<u>935,229</u>
Trustee		
Balances at the Beginning of the Year	76,448	67,902
Remuneration for the Year	887,654	902,909
Remuneration Paid During the Year	<u>(893,508)</u>	<u>(894,363)</u>
Balances at the End of the Year	<u>70,594</u>	<u>76,448</u>

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

18.1 The Fund's objective in managing risks is the creation and protection of certificate holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP.

Financial risk in fund is the possibility that the outcome of an action or event could bring up adverse impacts. Such outcomes could either result in a direct loss of earnings/net assets or may result in imposition of constraints on fund's ability to meet its business objectives. Such constraints pose a risk as these could hinder a fund's ability to conduct its ongoing business or to take benefit of opportunities to enhance its business.

These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk (which includes interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Regardless of the sophistication of measures, fund often distinguish between expected and unexpected losses. Expected losses are those that the management knows with reasonable certainty will occur (e.g. the expected decline in prices) and are typically reserved for in some manner. Unexpected losses are those associated with unforeseen events.

Risk management activities broadly take place simultaneously at following different hierarchy levels:

- a) **Strategic Level:** It encompasses risk management functions performed by senior management and BOD. It is concerned with the overall risk management of the organization starts with identifying of risk, planning to mitigate them, implementation of strategies and monitoring.
- b) **Macro Level:** It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or certificates devoted to risk reviews fall into this category.
- c) **Micro Level:** It involves 'On-the-line' risk management where risks are actually created. This is the risk management activities performed by individuals who take risk on organization's behalf such as front office and transactions origination functions.

Risk management starts at the highest management level. Its responsibility rests with the board of directors. Senior management makes sure that the policies of risk management are ingrained in the organization's culture.

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

Concentrations of risk may arise if the Fund has a significant exposure in a single industry, or aggregate exposure in several industries that tend to move together. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Fund Manager is instructed to reduce exposure to manage excessive risk concentrations when they arise.

18.2 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, debt security prices and foreign exchange rates.

(i) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. As of 30 June 2012, the Fund is exposed to such risk in respect of bank balances, term deposits and investment in debt and Government securities. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. Majority of the debt securities are subject to floating interest rates.

(ii) 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. The Fund is exposed to changes in the fair values of investments as a result of changes in MUFAP Prices and PKRV rates.

(iii) Foreign Currency Risk

Foreign 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 Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

The management company manages the above market risks through diversification of investment portfolio and placing limits on individual and aggregate exposures in accordance with the internal risk management policies.

Management of the fund estimates that 1% increase/(decrease) in the market interest rate/fair value, with all other factors remaining constant, would increase/(decrease) the fund's net assets by;



	Increase/(Decrease) in Basis Points	Sensitivity of Interest Income Increase/(Decrease)	Sensitivity of Changes in Fair Value of Investments Increase/(Decrease)
		----- (Rupees) -----	
2012	100	813,953	4,760,413
	(100)	(813,953)	(4,760,413)
2011	100	(929,705)	5,150,569
	(100)	(929,705)	(5,150,569)

The Fund's exposure to market rate of mark-up/profit rate risk based on contractual repricing and maturity dates, whichever is earlier is as follows:

2012	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More Than 5 Years	Non-Profit Bearing	Total
	----- Rupees -----						
Assets							
Bank Balances	16,602,954	-	-	-	-	203,637	16,806,591
Investments	97,898,880	-	-	210,626,006	-	167,516,374	476,041,260
Mark-Up/Interest Receivable	-	-	-	-	-	6,494,764	6,494,764
Advances, Deposits and Other Receivables	-	-	-	-	-	3,711,226	3,711,226
Sub-Total	114,501,834	-	-	210,626,006	-	177,926,001	503,053,841
Liabilities							
Payable to Dawood Capital Management Limited - Management Company	-	-	-	-	-	933,576	933,576
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	-	70,594	70,594
Accrued Expenses and Other Liabilities	-	-	-	-	-	5,414,986	5,414,986
Dividend Payable	-	-	-	-	-	446,903	446,903
Sub-Total	-	-	-	-	-	6,866,059	6,866,059
Total Interest Sensitivity Gap	114,501,834	-	-	210,626,006	-	171,059,942	496,187,782

2011	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More Than 5 Years	Non-Profit Bearing	Total
	Rupees						
Assets							
Bank Balances	26,309,731	-	-	-	-	-	26,309,731
Investments	175,148,222	-	-	94,045,313	37,925,214	207,938,139	515,056,888
Mark-Up/Interest Receivable	-	-	-	-	-	2,544,287	2,544,287
Advances, Deposits and Other Receivables	-	-	-	-	-	9,996,330	9,996,330
Sub-Total	201,457,953	-	-	94,045,313	37,925,214	220,478,756	553,907,236
Liabilities							
Payable to Dawood Capital Management Limited - Management Company	-	-	-	-	-	935,229	935,229
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	-	76,448	76,448
Accrued Expenses and Other Liabilities	-	-	-	-	-	2,443,531	2,443,531
Dividend Payable	-	-	-	-	-	282,450	282,450
Sub-Total	-	-	-	-	-	3,737,658	3,737,658
Total Interest Sensitivity Gap	201,457,953	-	-	94,045,313	37,925,214	216,741,098	550,169,578

18.3 Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments associated with financial instruments. The Fund is not materially exposed to liquidity risk as all obligations/commitments of the fund are short term in nature and restricted to the extent of available liquidity and all assets of the Fund are readily disposable in the market. A range of tools are used for the management of liquidity. These comprise key balance sheet ratios and day to day monitoring of future cash flows.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

2012	Not Later Than One Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Rupees						
Financial Assets						
Bank Balances	16,806,591	-	-	-	-	16,806,591
Investments	183,459,062	81,956,192	-	210,626,006	-	476,041,260
Mark-Up/Interest Receivable	773,415	29,566	383,670	5,308,113	-	6,494,764
Advances, Deposits and Other Receivables	3,572,500	-	-	138,726	-	3,711,226
Sub-Total	204,611,568	81,985,758	383,670	216,072,845	-	503,053,841
Financial Liabilities						
Payable to Dawood Capital Management Limited - Management Company	-	933,576	-	-	-	933,576
Payable to Central Depository Company of Pakistan Limited - Trustee	-	70,594	-	-	-	70,594
Annual Fee Payable to the Securities and Exchange Commission of Pakistan	-	439,780	-	-	-	439,780
Accrued Expenses and Other Liabilities	3,105,582	982,188	-	-	-	4,087,770
Dividend Payable	-	-	-	446,903	-	446,903
Sub-Total	3,105,582	2,426,138	-	446,903	-	5,978,623
Liquidity Gap	201,505,988	79,559,620	383,670	215,625,940	-	497,075,218

2011	Not Later Than One Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Rupees						
Financial Assets						
Bank Balances	26,309,731	-	-	-	-	26,309,731
Investments	337,325,709	45,760,652	-	94,045,313	37,925,214	515,056,888
Mark-Up/Interest Receivable	1,417,321	890,063	236,903	-	-	2,544,287
Advances, Deposits and Other Receivables	8,722,404	1,135,200	-	138,726	-	9,996,330
Sub-Total	373,775,165	47,785,915	236,903	94,184,039	37,925,214	553,907,236
Financial Liabilities						
Payable to Dawood Capital Management Limited - Management Company	-	935,229	-	-	-	935,229
Payable to Central Depository Company of Pakistan Limited - Trustee	-	76,448	-	-	-	76,448
Accrued Expenses and Other Liabilities	-	1,116,315	-	-	-	1,116,315
Dividend Payable	-	-	-	282,450	-	282,450
Sub-Total	-	2,127,992	-	282,450	-	2,410,442
Liquidity Gap	373,775,165	45,657,923	236,903	93,901,589	37,925,214	551,496,794

18.4 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's credit risk is primarily attributable to its investment in term finance certificates, certificates of investment, term deposits and balances with banks. The credit risk on liquid fund is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies, offering document and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a approved rating agency. Due to defaults made by the issuers of TFCs the rating of the instrument have down graded from the investment grade, the fund has not liquidated its investments as the management expects the counterparties will recover their rating. The table below analyses the Fund's maximum exposure to credit risk:

	2012 Rupees	2011 Rupees
Investments (Other than Government Securities)	203,142,380	339,908,666
Cash and Cash Equivalents	16,806,591	26,309,731
Mark-Up/Interest Receivable	6,494,764	2,544,287
Advances, Deposits and Other Receivables	3,711,226	9,996,330

The analysis below summaries the credit quality of the Fund's debt portfolio:

Debt Securities/Entity Rating by Category	30 June 2012		30 June 2011	
	Rupees	%	Rupees	%
AAA	-	-	-	-
AA- to AA+	-	-	-	0
A- to A+	2,093,597	6	4,178,594	3
BBB to BBB+	-	-	20,027,191	15
Non-Investment Grade	33,532,409	94	107,764,742	82
Total	<u>35,626,006</u>		<u>131,970,527</u>	

The analysis below summarizes the credit quality of the Fund's portfolio in deposits/placement with banks:

Rating by Category	30 June 2012		30 June 2011	
	Rupees	%	Rupees	%
AAA	-	-	-	-
AA- to AA+	7,470,815	44	26,274,939	99.9
A- to A+	9,335,776	56	34,792	0.1
BBB to BBB+	-	-	-	-
Non-Investment Grade	-	-	-	-
Total	<u>16,806,591</u>		<u>26,309,731</u>	

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's policy is to maintain a diversified portfolio of financial assets and to enter into transactions with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The concentration in the government securities has been due to illiquidity in the TFCs market and the defaults made by the issuers of the instruments. However the management expects these counterparties will recover their rating and consequently their liquidity in the market. The table below analyses the Fund's concentration of credit risk by industrial distribution;

Sector	Exposure on the Basis of Net Investment			
	30 June 2012		30 June 2011	
	Rupees	%	Rupees	%
Oil And Gas	32,717,910	6.87	38,575,980	7.5
Chemicals	5,248,850	1.1	10,991,487	2.1
Construction And Materials	13,469,750	2.83	64,685,396	12.6
General Industrials	-	0	1,341,970	0.3
Beverages	4,516,515	0.95	4,554,433	0.9
Food Producers	644,500	0.14	3,395,055	0.7
Personal Goods	1,624,250	0.34	23,234,934	4.5
Pharma and Bio Tech	30,100,611	6.32	31,276,565	6.1
Fixed Line Telecommunication	-	0	9,385,734	1.8
Real Estate Investment and Services	-	0	6,717,040	1.3
Technology Hardware and Equipment	-	0	618,149	0.1
Commercial Banks	3,991,155	0.84	15,453,495	3
Non Life Insurance	7,999,265	1.68	13,689,036	2.7
Life Insurance	65,572,898	13.77	63,756,409	12.4
Financial Services	12,004,440	2.52	28,888,134	5.6
Equity Investment Instruments	20,902,139	4.39	21,249,886	4.1
Electricity	2,256,500	0.47	-	0
Hotels	2,093,597	0.44	2,094,963	0.4
Government Securities	272,898,880	57.33	175,148,222	34
	<u>476,041,260</u>		<u>515,056,888</u>	

18.5 Capital Management

The Fund's objective when managing certificate holder's funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions. The capital structure depends on the issuance and redemption of certificates.

19. 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, 2012			June 30, 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Rupees			Rupees		
At Fair Value through Profit or Loss						
- Listed Marketable Securities	167,516,374	-	-	202,970,205	4,967,934	-
- Term Finance Certificates and Sukuks	-	35,626,006	-	-	81,646,798	50,323,729
- Government Securities	-	272,898,880	-	-	175,148,222	-
	167,516,374	308,524,886	-	202,970,205	312,086,683	50,323,729

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by The Board of Directors of the management company on September 17, 2012.

21. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding certificate holding pattern, top five brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company has been disclosed in Annexure I to the financial statements.

22. GENERAL

Figures have been rounded off to the nearest rupee.

**For Dawood Capital Management Limited
 (Management Company)**

Chief Executive Officer

Director

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (I) AND (J)
OF THE FIFTH SCHEDULE TO THE NBFC REGULATIONS**



(i) CERTIFICATE HOLDING PATTERN OF THE FUND **Annexure - I**

Category	Number of Certificate Holders	Number of Certificate Held	Amount	% of Total
Individuals	639	29,351,440	250,553,900	50.54
Financial Institutions	3	5,862,559	50,044,803	10.09
Insurance Companies	2	185,900	1,586,906	0.32
Investment Companies	1	454,913	3,883,292	0.78
Joint Stock Companies	10	4,783,380	40,832,563	8.24
Modarabas	3	2,215,101	18,908,857	3.81
Cooperative Societies	1	104,290	890,255	0.18
Associated Company	2	11,244,368	95,985,759	19.36
Others	4	3,873,049	33,061,667	6.67
	665	58,075,000	495,748,002	

(ii) LIST OF TOP TEN BROKERS BY PERCENT OF THE COMMISSION PAID

S.No.	Name	Percentage of Commission paid
1	Pearl Securities (Pvt) Limited	13.09
2	Invest and Finance Securities	12.92
3	Dawood Equities Limited	12.73
4	Adam Securities (Pvt) Limited	11.83
5	First National Equities Limited	11.41
6	Habib Metropolitan Financial Services Limited	11.12
7	Elixir Securities Pakistan	9.00
8	Topline Securities (Pvt) Limited	8.91
9	Foundation Securities (Private) Limited	8.55
10	Jan Mohammad A. Latif Nini & Sons (Pvt) Ltd	0.43

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

Name	Designation	Qualification	Experience
Ms. Tara Uzra Dawood	Chief Executive Officer	Doctorate of Juridical Science	9 years
Mr. Syed Kabiruddin	Chief Financial Officer and Company Secretary	ACMA , ACIS	21 years
Mr. Muhammad Abbas	Fund Manager Fixed Income/ Manager Finance	MBA Finance	13 years
Mr. Muhammad Aslam	Assistant Fund Manager	B.Com	26 years
Mr. Zeeshan Swalaheen	Research Associate	M.A. Economic and Finance	03 years

(iv) MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Following are the names of directors who attended the meetings of the board of directors during the year along with the dates of the meetings.

Name of Director	Meeting held on				
	06 July 2011	07 September 2011	20 October 2011	21 February 2012	28 April 2012
Ms. Tara Uzra Dawood	3	3	3	3	3
Mr. Gul Nawaz	3	3	3	3	3
Syed Shabaha Hussain	3	3	3	3	3
Mr. Masood A.S. Wahedna	3	3	X	3	x
Mr. Nizamuddin Feroz	x	3	3	x	3
Mrs. Shafqat Sultana	x	x	X	3	x

**For Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director

PATTERN OF SHAREHOLDING AS ON 30-JUNE-2012				
No. of Certificate Holders	Certificate Holding		Total Certificate Held	
	From	To		
110	1	-	100	3,337
45	101	-	500	17,240
146	501	-	1,000	97,863
140	1,001	-	5,000	408,581
58	5,001	-	10,000	465,503
19	10,001	-	15,000	245,243
17	15,001	-	20,000	321,489
19	20,001	-	25,000	447,416
9	25,001	-	30,000	253,459
4	30,001	-	35,000	127,360
4	35,001	-	40,000	154,500
9	40,001	-	45,000	387,327
13	45,001	-	50,000	641,136
4	55,001	-	60,000	228,909
1	60,001	-	65,000	64,999
3	65,001	-	70,000	209,750
4	70,001	-	75,000	294,765
4	75,001	-	80,000	307,124
2	85,001	-	90,000	175,496
2	90,001	-	95,000	181,900
3	95,001	-	100,000	296,000
2	100,001	-	105,000	204,414
2	110,001	-	115,000	225,276
2	115,001	-	120,000	232,300
2	120,001	-	125,000	248,000
2	145,001	-	150,000	296,000
1	155,001	-	160,000	155,825
1	175,001	-	180,000	180,000
1	195,001	-	200,000	200,000
1	230,001	-	235,000	234,000
1	260,001	-	265,000	260,700
1	270,001	-	275,000	273,800
1	280,001	-	285,000	281,365
1	300,001	-	305,000	301,116
1	325,001	-	330,000	328,300
1	450,001	-	455,000	454,913
1	490,001	-	495,000	490,278
1	555,001	-	560,000	559,000
3	575,001	-	580,000	1,734,570
2	580,001	-	585,000	1,161,500
1	585,001	-	590,000	588,408
1	595,001	-	600,000	597,868
1	705,001	-	710,000	709,297
1	755,001	-	760,000	760,000



PATTERN OF SHAREHOLDING AS ON 30-JUNE-2012			
No. of Certificate Holders	Certificate Holding		Total Certificate Held
	From	To	
1	975,001	- 980,000	976,000
2	995,001	- 1,000,000	1,997,162
1	1,040,001	- 1,045,000	1,040,750
1	1,100,001	- 1,105,000	1,104,173
1	1,160,001	- 1,165,000	1,161,500
1	1,185,001	- 1,190,000	1,185,100
1	1,350,001	- 1,355,000	1,352,760
1	1,450,001	- 1,455,000	1,454,521
1	1,695,001	- 1,700,000	1,700,000
1	1,870,001	- 1,875,000	1,874,737
1	2,155,001	- 2,160,000	2,156,000
1	2,495,001	- 2,500,000	2,500,000
1	2,880,001	- 2,885,000	2,884,250
1	3,480,001	- 3,485,000	3,484,500
1	4,525,001	- 4,530,000	4,527,336
1	5,260,001	- 5,265,000	5,262,059
1	7,605,001	- 7,610,000	7,607,825
665			58,075,000

CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2012

Category	Number of Certificate Holders	Number of Certificate Held	Percentage
Individuals	639	29,351,440	50.54
Financial Institutions	3	5,862,559	10.09
Insurance Companies	2	185,900	0.32
Investment Companies	1	454,913	0.78
Joint Stock Companies	10	4,783,380	8.24
Modarabas	3	2,215,101	3.81
Cooperative Societies	1	104,290	0.18
Associated Company	2	11,244,368	19.36
Others	4	3,873,049	6.67
Total	665	58,075,000	100.00

PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30, 2012

S. No.	Certificate Holders	Numbers	Certificates Held	Percentage %
1	Associated Companies	2	11,244,368	19.36
	Dawood Capital Management Limited		9,790,087	16.86
	B.R.R. Guardian Modaraba		1,454,281	2.50
2	Directors, CEO their Spouses and Minor Childern	1	42,837	0.07
	Tara Uzra Dawood		42,837	0.07
3	Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas and Pension Funds	24	17,479,192	30.10
4	Certificate Holders holding Five percent or More in the Company	4	23,068,928	39.72
	Dawood Capital Management Limited		9,790,087	16.86
	National Bank Of Pakistan		5,262,059	9.06
	Sheikh Mohammed Atiqur Rehman		4,532,282	7.80
	Trustee- Khyber Pakhtunkhwa - GPI Fund		3,484,500	6.00

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A company sponsored by First Dawood Group
Trustee: Central Depository Company of Pakistan Limited



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