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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) 3562-1001-6 Fax: (92-21) 3562-1010 E-mail: dcm@edawood.com Website: www.edawood.com	
Board of Directors	Miss Tara Uzra Dawood Mr. Masood A. S. Wahedna Mr. Nazimuddin Feroz Syed Shabahat Hussain Mr. Gul Nawaz	Chief Executive Officer/Acting Chairperson Director (Nominee of BoK) Director (Nominee of BRRGM) Director (Nominee of NIT) Director
Chief Financial Officer & Company Secretary	Syed Kabiruddin	
Audit Committee	Mr. Gul Nawaz Mr. Masood A. S. Wahedna Syed Shabahat Hussain	Chairman Member Member
Auditors	BDO Ebrahim & Co. Chartered Accountants	
Tax Advisor	Mazher Associates Block A1-E-3, Faiza Avenue, 11C-1 North Karachi.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, 6-cl-10 Beaumont Road, Karachi.	
Bankers	Burj Bank Limited (<i>Formerly Dawood Islamic Bank Ltd.</i>) Habib Metropolitan Bank Limited Silkbank Limited	
Registrar	F. D. Registrar Services (SMC Pvt.) Ltd. Office # 108, 11th Floor, Trade Centre, 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 Seventh Annual Report of the Fund along with the Audited Financial Statements, and Auditors' Report to the certificate holders for the year ended June 30, 2011.

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

Fund Performance

As at June 30, 2011, net assets were Rs. 549.71 million as compared to Rs. 484.68 million as at June 30, 2010. Total operating income for the year was Rs. 36.09 million as compared to Rs. 57.22 million for the same period last year. Unrealized gain on revaluation of investments to Rs. 44.20 million as opposed to loss of Rs. 74.38 million last year. Total expenses were 15.26 million as compared to Rs. 19.15 million last year.

The net income for the financial year 2010-11 was Rs. 65.03 million as opposed to loss of Rs. 36.31 million, showed a positive trend of 279% from the same period last year. The income is mainly derived from Equity Portfolio, Term Finance Certificates/Sukuks, Treasury Bills, Dividend Income, and Bank Deposits.

The Net Asset Value was Rs. 9.47 as at June 30, 2011.

Earning/(Loss) per Certificate

As at June 30, 2011, Earnings per Certificate was Rs. 1.12 as compared to Loss of Rs. (0.63) as at June 30, 2010.

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 has announced Cash Dividend to certificate holders of Re.0.33 per certificate i.e. 3.30%.

Credit Rating

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



Pakistan's Economy

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

Headline Inflation

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



Food and Energy Prices and FY11 CPI Inflation

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

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

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

Improvements in External Accounts

Current account for FY11 has posted a surplus of USD 542mn (+0.3% of GDP) showing a considerable improvement over a deficit of US\$ 3.9bn (-2.2% of GDP) last year. The surplus came after long 7 years of wait. This was mainly on account of a 26% YoY growth in exports and a 29% YoY jump in workers' remittances. Strong growth in external flows consequently marks underlying improvement, which helped in building the foreign exchange reserves above ~US\$18bn. However despite this remarkable growth the balance of trade recorded a deficit of USD 12.3bn (against USD 13.2bn) as imports augmented by 14% YoY to USD 35.64bn during the period.



FDI

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

Tax Collection

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

Outlook

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

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

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

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

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

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



Stock Market Review

FY11 at a Glance

FY11 came to an end with Benchmark KSE-100 Index starting with 9,721.91 point and closing at 12,496.03 points, recording an impressive gain of 28.53%. During the period the Index remained highly volatile as it moved in the range of 9,516 and 12,681 points. FY11 was the tale of two halves for KSE. The best performing half during FY11 remained 1HFY11 where the index registered a gain of 23.66%, as the index closed at 12,022.46 on December 31st, 2010 with better trading activity. However, 2HFY11 remained lackluster as index dropped to 11,223 levels by end of February 2011. Investor activity at the local bourse remained subdued. This was due to imposition of Capital Gain Tax (CGT) from FY11, which dried up the interest of individual investors from the market.



Source: KSE

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

Major Gainers and Losers

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



Source: KSE



Source: KSE



Volumes at Dangerously Low Levels

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

Foreigners Remained on the Back Foot

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

FY12 Market Outlook

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

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

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

Money Market Review

Interest Rates

The year started with a 0.50 bps hike in interest rates to 13% by SBP in its first MPS for FY11 in July 2010. In the next two policy statements till Nov-10, SBP followed the same strategy of rising interest rate by 0.50 bps each time to reach at 14%.

The rationale behind hikes were concerns of high inflation, along with larger than expected fiscal deficit, government borrowing, major fiscal hurdles, power sector problems, which have been overshadowing the improvements in Current Account Deficit (CAD) and economic recovery.



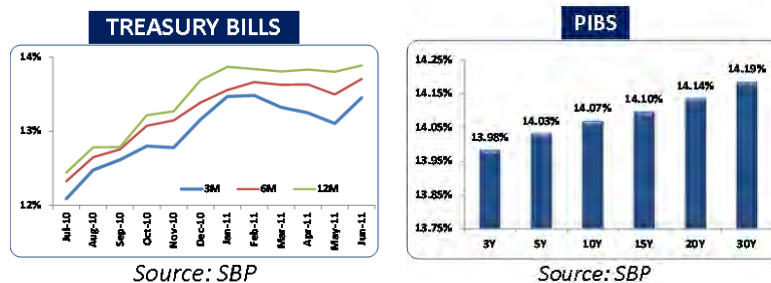


After third increase, SBP maintained its policy rate at 14% in its consecutive two MPS till Jun-11. This pause in rate increase could be described by agreed lower governmental borrowings and expenditures and improvements in external accounts.

Treasury Bills & PIBs

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

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



Debt Market Review

Similar to FY10, debt market remained under pressure throughout the FY11 also. Downgrading and downward valuation continues at MUFAP coupled with defaults of major investee companies led towards negative market sentiments. Also the pressure selling of debt scripts by mutual funds to meet liquidity requirements joined the party. These issues hampered the secondary market led towards the shaky investors' confidence on the Mutual Fund industry especially in income funds. With the launch of few money market and government securities funds with 70%-80% investments in T-Bills, industry is now attracting new investors with increasing yields.

6M KIBOR

6M KIBOR showed an increasing trend with increasing policy rates by SBP in 1HFY11 till Jan-11 where SBP maintained the policy rate. 6M KIBOR showed a stable trend in 2HFY11 in line with SPB policy rate till Jun-11. Increasing KIBOR rates caused uncertainty in the private and public sector industries where issuers of debts faced difficulties in paying interests on borrowings and maintaining liquidity with increasing inflation.



Compliance with the Best Practices of the Code of Corporate Governance

The 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 (xix) of the Code:

- The Financial statements of the Fund, prepared by the management company of the fund present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Management Company has maintained proper books of accounts of the Fund.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, Provision of Non-Banking Finance Companies (Establishments & Regulations Rules requirements of Trust Deed and Directives of the Securities and Exchange Commission of Pakistan, have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as an on-going concern.
- There has been no trading during the year in the certificates of the Fund carried out by the Directors, Chief Executive Officer, Company Secretary and their spouses and their minor children except as disclosed below:

CEO/Director	Purchased	Bonus	Sale
Miss Tara Uzra Dawood	31,222	Nil	Nil

- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- There are no statutory payment on account of taxes, duties, levies and charges outstanding.
- There has been no departure from the best practices of transfer pricing.

Changes in Directors

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

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

Board of Directors Meetings

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



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

* Appointed During the Year

** Resigned During the Year

Audit Committee

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

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

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

Auditors

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

Risk Management

Risk taking is an integral part of any business and is rooted in the philosophy of risk versus reward, that is, 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, 2011

The pattern of certificate holders as on June 30, 2011 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 certificate holders for their confidence in the Management.

For and on behalf of the Board,

Karachi

Date: September 7, 2011

Chairperson



REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2011

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 short term money market instruments.

FUND PERFORMANCE

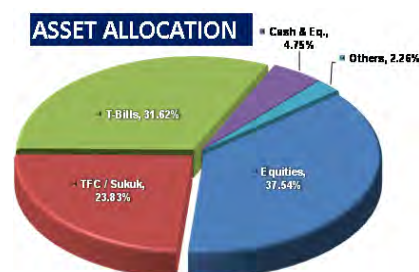
As at June 30, 2011, net assets were Rs. 549.71 million as compared to Rs. 484.68 million as at June 30, 2010. Total operating income for the year was Rs. 36.09 million as compared to Rs. 57.22 for the same period last year. Unrealized gain on revaluation of investments was to Rs. 44.20 million as opposed to loss of Rs. 74.38 million last year. Total expenses were 15.26 million as compared to Rs. 19.15 million last year.

The net income for the financial year 2010-11 was Rs. 65.03 million as opposed to loss of Rs. 36.31 million. During the year the fund incurred capital loss of Rs. 4.14 million, while unrealized gain on revaluation of investments was Rs. 44.20 million. The NetAsset Value was Rs. 9.47 as at June 30, 2011.

Fund shown stellar performance in FY11 posted a positive return of 13.41%. The main reasons behind are: a) offloading of debt securities on better rates; b) investments in high yielding government securities and bank deposits; and c) investments in value and growth blue chip stocks.

FDMF is a balanced fund which has a balanced exposure of equity, debt and money market investments. Fund shown a tremendous growth in 1HFY11 but remained under pressure afterwards due to stock market slow down.

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 Oil & Gas (6.49%) and Life Insurance (11.51%) sectors, due to strong earning potentials.



EARNING/LOSS PER CERTIFICATE

As at June 30, 2011, Earnings per Certificate wasRs. 1.12 as compared to Loss ofRs. (0.63) as at June 30, 2010.

INVESTMENT 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.

Break-up of total assets of the Fund as at June 30, 2011 is follows:

On June 30, 2011, the Fund has made equity investments of Rs. 207.94 million mostly in strong dividend payout and blue chip scripts representing 37.54% 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. 131.97 million which is 23.83% 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 which, we hope, will help regaining the investors' confidence in the upcoming years.

MAJOR STRATEGIES AND POLICIES EMPLOYED DURING FY11

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

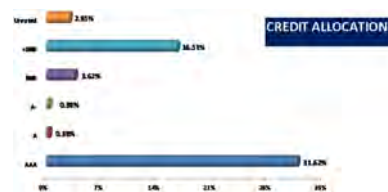
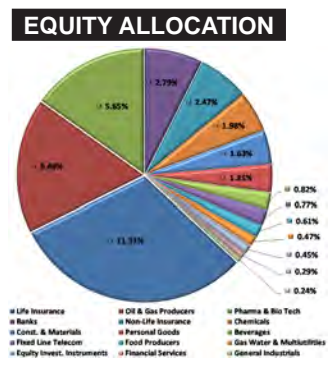
On the basis of our objectives of long term value investing, the Fund mostly adopted criteria to take new exposures in sectors/stocks that offered positive fundamentals and technical signals and reduced exposure from those sectors/stocks where fundamentals and technical became negative. Sector wise details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

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

DEBT/MONEY MAREKT INVESTMENTS

During the year no major activity was observed in the debt investments due to illiquid market conditions except selling of few scripts in order to take advantage of better prices and to increase the liquidity in the fund. The Fund has maintained the optimum level of debt credit quality as at June30, 2011.

- F Fund adopted the strategy to offload 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 23.83 as compared to 37.56% in FY10.





F Fund has prudently offloaded its few corporate debt securities during the year at best available market rates to ensure more liquidity in the fund.

F The liquidity so received was mainly invested in bank deposits and short-term government and money market securities (under 90 DTM) which are the safest avenues to maintain consistency in returns while ensuring liquidity.

DIVIDEND

The Board of Directors has announced Cash dividend to certificate holders of Re.0.33 per certificate i.e. 3.30%.

OUTLOOK

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

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

STOCK MARKET REVIEW

FY11 came to an end with Benchmark KSE-100 Index starting with 9,721.91 point and closing at 12,496.03 points, recording an impressive gain of 28.53%. During the period the Index remained highly volatile as it moved in the range of 9,516 and 12,681 points. FY11 was the tale of two halves for KSE. The best performing half during FY11 remained 1HFY11 where the index registered a gain of 23.66%, as the index closed at 12,022.46 on December 31st, 2010 with better trading activity. However, 2HFY11 remained lackluster as index dropped to 11,223 levels by end of February 2011. Investor activity at the local bourse remained subdued. This was due to imposition of Capital Gain Tax (CGT) from FY11, which dried up the interest of individual investors from the market.

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

MONETARY SECTOR

SBP took three consecutive hikes of 50 bps in interest rates each time in its three MPS from Jul'10 to Nov'10 to reach at 14%. The SBP took the same strategy on account of rising inflation, higher government borrowing, larger than expected fiscal deficit, major fiscal hurdles and power sector problems.

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



FISCAL SECTOR

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

INFLATION

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

MONEY MARKET REVIEW

The weighted average yields on 3, 6 & 12 months reached to 13.45%, 13.70% & 13.89% respectively in Jun-11. This was mainly due to the increasing policy rates, inflationary pressures, increased governmental borrowings & expenditures and most importantly greater banking participation rather than to release funds to corporate sectors. Same trend was seen in the PIBs where 10Y and 20Y bonds issued at 14.01% and 14.14% respectively.

DEBT MARKET REVIEW

During the year debt market remained under pressure. Downgrading and downward valuation continues at MUFAP coupled with defaults of major investee companies led towards negative market sentiments and shaky investors' confidence. Also the pressure selling of debt scripts by mutual funds to meet liquidity requirements joined the party. These issues hampered the secondary market. With the launch of few money market and government securities funds with 70%-80% investments in T-Bills and bank deposits, industry is now attracting new investors with increasing yields.

6M KIBOR showed an increasing trend with increasing policy rates by SBP in 1HFY11 till Jan-11 where SBP maintained the policy rate. Increasing KIBOR rates caused uncertainty in the private and public sector industries where issuers of debts faced difficulties in paying interests on borrowings and maintaining liquidity with increasing inflation.

CHALLENGES AHEAD

Government is still facing the biggest and hard-hitting challenge of rebuilding entire infrastructure, destroyed by historic floods of 2011. Foreign aid was not enough for rebuilding. Therefore, to meet its development expenditures, government imposed several taxes including flood surcharge of 15% but still seems insufficient. Increasing taxes has given rise to inflationary pressures in the economy in the 1HFY11.

In the upcoming years, government will definitely pass on this burden in terms of removing subsidies on various utilities and increase its borrowing from central bank. These steps will likely to increase inflation in the economy in the upcoming years.



FUTURE OUTLOOK

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

With rising inflation in the first two months of FY12 on account of Ramadan effect, it will be hard-hitting challenge for Mutual Funds Industry to attract new investors. Off course, yield on government bond funds will rise with increasing interest rates, but prevailing economic, political and law & order situation coupled with increasing inflation on consumer basket will restrain investors for investments.

Launch of government bond funds during FY11 with attractive yields gaining the advantage of increasing interest rates, seems able to attract new investors towards Mutual Funds Industry. But still a lot has to be done in terms of information transparency and investors' education to increase the savings to this form of investment.



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

The First Dawood Mutual Fund (the Fund), a closed-end scheme was established under a trust deed dated December 08, 2004, executed between Dawood Capital Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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.

We would like to draw certificate holders attention towards the directives of the Securities and Exchange Commission of Pakistan issued vide Circulars # 1 of 2009 and 3 of 2010, which require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments. The sukuk certificates of Maple Leaf Cement Factory Limited (MLCFL) and Kohat Cement Company Limited (KCCL) were classified as performing in September 2010 and June 2010 respectively based on their restructured plans approved in March 2010 and February 2010 respectively.

The Management Company while complying the same has reclassified these sukuk certificates as performing, however, has recorded mark-up received upto June 30, 2011 following receipt basis of accounting. The Management Company has informed us that the same has been done on prudence basis, considering the underlying risk of realisability of the deferred mark-up which will be received in future periods. Moreover, it would be pertinent to note that subsequent to the year end MLCFL has shown their inability to fulfill obligation with respect to coupon payment of mentioned certificates.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 26, 2011



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

This Statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

Dawood Capital Management Limited (the Company), the management company of First Dawood Mutual Fund (The Fund) has applied the principles contained in the Code in the following manner:-

- 1) The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board comprises of five directors out of which four are non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurred in the Board on July 06, 2010 which was filled on the same day. Two other casual vacancies occurred on February 17, 2011 which have not yet been filled as the SECP did not grant approval for appointment of persons applied to fill the said casual vacancies.
- 5) The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
- 6) The Board of Directors has adopted a vision/mission statement and all the overall corporate strategy of the Company and has also formulated significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of Chief Executive Officer (CEO) have been taken by the Board.
- 8) The meetings of the Board were chairperson over by the Chairman. The Board met at least once in every quarter during the year. Written notices of the meetings of the Board of Directors, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) No orientation courses were arranged for the directors during the year. However, the Board encourages the participation of its Directors and Executives in the orientation courses to apprise them of their duties and responsibilities. The directors of the Board of the Company are individuals with vast diversified experience of the financial and corporate affairs. They are also directors in other companies and are well conversant with their duties and responsibilities. Copies of Memorandum of Association, Article of Association have been provided to them.
- 10) The Board of Directors of the Company has approved the appointment of the Chief Financial Officer (CFO) and Company Secretary including his remuneration and terms and conditions of employment as determined by the CEO.
- 11) The directors' report relating to the Fund for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



-
- 12) The financial statements of the Fund were duly endorsed by the CEO and CFO before approval of the Board.
 - 13) The directors, CEO and executives do not hold any interest in the certificates of the Fund other than those disclosed in the pattern of certificate-holdings.
 - 14) The Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Fund.
 - 15) The Board has formed an Audit Committee. As at June 30, 2011, it comprises of 2 members, both of whom are non-executive directors including the chairman of the committee.
 - 16) The meetings of the Audit Committee (AC) were held atleast once every quarter except that the first AC meeting was held in the second quarter on 4th October, 2010. AC meetings were held prior to approval of interim and annual results of the Fund and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the Company and advised to the committee for compliance.
 - 17) The Board has outsourced its internal audit function to a firm of Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the 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 Institute of Chartered Accountants of Pakistan.
 - 18) The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates 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.
 - 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 - 20) The related party transactions and have been placed before the audit committee and approved by the board of directors of the Company.
 - 21) We confirm that all other material principles contained in the Code have been complied with.

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

**Karachi
Date: September 7, 2011**

**Tara Uzra Dawood
Chief Executive Officer**



IBDO

BDO Ebrahim & Co.
Chartered Accountants

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

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

The responsibility for compliance with the Code of Corporate Governance is that of the 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 of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the code.

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

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

KARACHI

DATED: September 7, 2011

CHARTERED ACCOUNTANT
Engagement Partner: Zulfikar Ali Causer



BDO Ebrahim & Co.
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of First Dawood Mutual Fund ("the Fund"), which comprise of the statement of assets and liabilities as at June 30, 2011 and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in equity and reserves and statement of changes in equity for the year then ended, and summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

Management Company (Dawood Capital Management Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, either 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 June 30, 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

KARACHI
DATED: September 7, 2011

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer



**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011**

	Note	2011 Rupees	2010 Rupees
ASSETS			
Bank Balances	4	26,309,731	57,810,740
Investments	5	515,056,888	413,327,403
Advances, Deposits and Other Receivables	6	12,540,617	16,215,429
Total Assets		553,907,236	487,353,572
LIABILITIES			
Remuneration Payable to Management Company	7	935,229	768,377
Remuneration Payable to Trustee	8	76,448	67,902
Annual Fee Payable to SECP	9	457,016	444,927
Creditors, Accrued and Other Liabilities	11	2,443,531	1,110,927
Dividend Payable	12	282,450	282,450
Total Liabilities		4,194,674	2,674,583
NET ASSETS		549,712,562	484,678,989
Certificate Holders' Equity			
Issued, Subscribed and Paid-Up Capital	13	580,750,000	580,750,000
Unappropriated Losses		(31,037,438)	(96,071,011)
		549,712,562	484,678,989
CONTINGENCIES AND COMMITMENTS	14	-	-
NUMBER OF CERTIFICATES		58,075,000	58,075,000
Net Asset Value Per Certificate (face value per certificate Rs.10/-)		9.47	8.35

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

**For and on behalf of Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



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

	Note	2011 Rupees	2010 Rupees
INCOME			
(Loss)/Gain on Sale of Investment		(4,144,409)	10,144,199
Profit on Term Finance Certificates/Sukuks		16,264,867	32,095,559
Profit on Treasury Bills		11,180,987	-
Dividend Income		9,222,423	11,923,878
Profit on Bank Balances		3,569,629	3,052,166
		<u>36,093,497</u>	<u>57,215,802</u>
Unrealized Gain/(Loss) on Revaluation of Investments at Fair Value through Profit or Loss	15	44,197,199	(74,374,487)
Total Income		80,290,696	(17,158,685)
Expenses			
Remuneration of Management Company		10,753,193	13,613,215
Remuneration of Trustee		902,909	890,357
Annual Fee of SECP		457,016	444,927
Brokerage and Settlement Charges		788,149	3,198,329
Auditors' Remuneration	16	237,000	202,000
Fee and Subscription		573,653	696,467
Bank Charges		21,257	25,447
Legal and Professional Charges		51,154	-
Workers' Welfare Fund		1,327,216	-
Printing Charges		145,576	75,984
Total Expenses		15,257,123	19,146,726
Net Income/(Loss) for the Year		65,033,573	(36,305,411)
Earnings/(Loss) per Certificate	17	1.12	(0.63)

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

**For and on behalf of Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director

Annual Report 2011



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

	2011	2010
	Rupees	Rupees
Income/(Loss) for the Year	65,033,573	(36,305,411)
Other Comprehensive Income	-	-
Total Comprehensive Income/(Loss) for the Year	<u>65,033,573</u>	<u>(36,305,411)</u>

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

**For and on behalf of Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



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**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	2011 Rupees	2010 Rupees
Unappropriated Loss Brought Forward		
[includes unrealised loss on investments of Rs. 172,654,094 (2010: Rs.120,568,102)]	(96,071,011)	(59,765,600)
Comprehensive Income/(Loss) for the Year	65,033,573	(36,305,411)
Unappropriated Loss Carried Forward		
[includes unrealised loss on investments of Rs. 83,038,192 (2010: Rs.172,654,094)]	<u>(31,037,438)</u>	<u>(96,071,011)</u>

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

**For and on behalf of Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income/(Loss) for the Year	65,033,573	(36,305,411)
Adjustments:		
Profit on Term Finance Certificates/Sukuks	(16,264,867)	(32,095,559)
Profit on Treasury Bills	(11,180,987)	
Dividend Income	(9,222,423)	(11,923,878)
Profit on Bank Balances	(3,569,629)	(3,052,166)
Adjustments for Non-Cash Items		
Unrealized (Gain)/Loss on Revaluation of Investments classified as Financial Assets at Fair Value through Profit or Loss	(44,197,199)	74,374,487
Loss Before Working Capital Changes	(19,401,532)	(9,002,527)
(Increase)/Decrease in Assets		
Investments	(57,532,286)	(14,625,937)
Other Receivables	(4,970,107)	8,852,286
	(62,502,393)	(5,773,651)
Increase/(Decrease) in Assets		
Remuneration of Management Company	166,852	(520,379)
Remuneration of Trustee	8,546	(5,521)
Annual Fee of SECP	12,089	(87,765)
Preliminary Expenses Payable	-	(1,000,000)
Creditors, Accrued and Other Liabilities	1,332,604	233,891
	1,520,091	(1,379,774)
Cash used in Operations	(80,383,834)	(16,155,952)
Dividend Paid	-	(60,564)
Profit Received on Term Finance Certificates/Sukuks	23,945,987	33,533,527
Income Received on Treasury Bills	11,180,987	-
Dividend Income Received	9,140,102	11,825,441
Profit Received on Bank Balances	4,615,749	3,058,014
Net Cash (Outflow)/Inflow from Operating Activities	(31,501,009)	32,200,466
Net (Decrease)/Increase in Cash and Cash Equivalents	(31,501,009)	32,200,466
Cash and Cash Equivalents at Beginning of the Year	57,810,740	25,610,274
Cash and Cash Equivalents at End of the Year	26,309,731	57,810,740

**For and on behalf of Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



Annual Report 2011

**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	Rupees	Rupees
Net Asset Value Per Certificate at the Beginning of the Year	8.35	8.97
(Loss)/Gain on Sale of Securities	(0.07)	0.18
Profit on Term Finance Certificates/Sukuks	0.28	0.55
Profit on Treasury Bills	0.19	-
Dividend Income	0.16	0.21
Profit on Bank Balances	0.06	0.05
Other Net Operating Expenses	(0.26)	(0.33)
	<u>8.71</u>	<u>9.63</u>
Unrealized Gain/(Loss) on Revaluation of Investments Classified as Financial Assets at Fair Value through Profit or Loss	0.76	(1.28)
Net Asset Value Per Certificate at the End of the Year	<u><u>9.47</u></u>	<u><u>8.35</u></u>

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

**For and on behalf of Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



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

	Issued, Subscribed and Paid-Up Certificate Capital	Unappropriated Losses	Total
	Rupees		
Balance as at July 01, 2009	580,750,000	(59,765,600)	520,984,400
Total Comprehensive Loss for the Year	-	(36,305,411)	(36,305,411)
Balance as at June 30, 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

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

**For and on behalf of Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



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

1. LEGAL STATUS AND NATURE OF BUSINESS

First Dawood Mutual Fund (FDMF) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). Formation of FDMF as closed end fund was authorized 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. FDMF is listed on Karachi Stock Exchange. The certificates of FDMF were offered for public subscription from March 21, 2005 to March 22, 2005. FDMF started investing activities from February 25, 2005.

The policy of the Fund (FDMF) is to invest in a mix of traded securities covering debt, equity, money market transactions (such as financing arrangements under Continuous Funding System and inter-bank placements, etc.).

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.

Asset Manager Rating (AMR) of 'AM 3-' has been assigned to the Management Company and 2 Star rating has been assigned to the Fund by Pakistan Credit Rating Agency Limited.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), NBFC Rules, the Trust Deed, the Companies Ordinance, 1984, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Trust Deed, the NBFC Rules, the Regulations, the Ordinance or directives issued by SECP differ with the requirements of these standards, the requirements of the Trust Deed, the requirements of the Regulations, the NBFC Rules and the said directives take precedence.



2.2 Standards, Interpretations and Amendments to Published Approved Accounting Standards that have been or are not yet effective:

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 12 - Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	January 01, 2012
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

2.3 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except that certain financial assets have been included at fair value in accordance with the valuation basis specified in the relevant International Accounting Standards (IAS) applicable to these assets and the requirements of NBFC Rules & Regulations.

2.4 Functional and Presentation Currency

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

2.5 Estimates and Judgements

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



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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are given in note 22 to these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

3.1 Investments

All investments are initially recognized at fair value, being the cost of the consideration given including transaction costs associated with the investment, except in case of financial assets at fair value through profit or loss, in which case the transaction costs are charged off to the profit and loss account.

All purchases and sales of securities that requires delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

The management company determines the appropriate classification of the Fund's investments in accordance with the requirements of IAS 39: 'Financial Instruments: Recognition and Measurement', at the time of purchases.

The Fund classifies its investments in the following categories:

Financial Assets at Fair value through Profit or Loss

This category has two sub-categories, namely; financial instruments held for trading, and those designated at fair value through profit or loss at inception.

- Investments which are required principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments designated at fair value through profit or loss upon initial recognition include those that are not held for trading purposes and which may be sold.



After initial recognition, the above investments, are remeasured at fair value determined with reference to the rates prevailing in the relevant stock exchanges, where applicable. Gains or losses on investments on remeasurement of these investments are recognized in Income Statement.

Available for Sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in prices, are classified as 'Available for Sale'. Subsequent to initial measurement, 'Available for Sale' investments are remeasured to fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity.

3.2 Derivatives

Derivative instruments held by the Fund generally comprise of futures contracts in the capital market. Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value which is the quoted price. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the statement of assets and liabilities. The resultant gains and losses are included in the income statement.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard - 39: Recognition and Measurement of Financial Instruments (IAS - 39), consequently all derivatives are classified as held for trading and hedge accounting is not used by the Fund.

3.3 Securities under Repurchase/Resale Agreements

Transaction of purchases under resale (reverse-repo) of marketable and government securities, including the securities purchased under the continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognized in the statement of assets and liabilities. Amount paid under these agreements are recognized as receivable in respect of reverse repurchase transactions/against continuous funding system. The difference between purchase and resale price is treated as income from reverse repurchase transactions/continuous funding system and accrued over the life of the agreement.

All reverse repo/continuous funding system transactions are accounted for on the settlement date.



3.4 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realized or unrealized, is distributed amongst its certificate holders.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilized tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by the capital gains, whether realized or unrealized, to its certificate holders every year. Accordingly, no tax liability or deferred tax has been recognized in these financial statements.

3.5 Revenue Recognition

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

Unrealized capital gain/(losses) arising on the revaluation of securities classified as financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

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

Income from investment in treasury bills are recognised at rate of return implicit in the instrument on a time proportionate basis.

Income on continuous funding system transactions, term finance certificates and bank deposits are recognized using effective yield method on a time proportionate basis.

3.6 Expenses

All expenses including management company fee and trustee fee are recognized in the income statement on an accrual basis.

3.7 Impairment

The carrying amount of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Income Statement.



3.8 Provisions

Provisions are recognized in the balance sheet 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 reliable estimate of the amount of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.9 Financial Instruments

All the financial assets and liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at fair value and are subsequently remeasured at fair value or amortized cost as the case may be. The Fund derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

3.10 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognized amount and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise of bank balances including term deposits.

3.12 Other Assets

Other assets are stated at cost less impairment losses, if any.

3.13 Earnings per Certificate

Earnings per Certificate is calculated by dividing the profit after tax for the year by the weighted average number of certificates outstanding during the year.

3.14 Dividend Distributions and Appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.



3.15 Related Party Transactions

Transactions with related parties are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

	Note	2011 Rupees	2010 Rupees
4. BANK BALANCES			
Profit and Loss Sharing Account	4.1	26,284,893	57,785,902
Current Accounts		24,838	24,838
		<u>26,309,731</u>	<u>57,810,740</u>

4.1 This carries interest rates ranging from 4.75 % to 10.75 % (2010: 4.75 % to 10.75 %).

5. INVESTMENTS

Financial Assets at Fair Value Through Profit or Loss

Held For Trading

Listed Marketable Securities	5.1	207,938,139	230,259,713
Term Finance Certificates/Sukuks	5.2	131,970,527	183,067,690
Government Treasury Bills		175,148,222	-
		<u>515,056,888</u>	<u>413,327,403</u>



5.1 Held for Trading
Listed Marketable Securities

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

Quoted Sector & Scrips	Number of Scrips					As at June 30, 2011			Percentage in Relation to		
	Opening Balance	Purchased During the Period	Bonus/Right	Sold During the Period	Closing Balance	Cost	Market Value	Appreciation/ (Diminution)	Net Assets of the Fund (with Market Value of Investment)	Paid-Up Capital of Investee Company (with Face Value of Investment)	Total Market Value (Carrying Value of Investment)
----- Rupees -----											
OIL AND GAS											
Attock Petroleum Limited	-	32,000	-	32,000	-	-	-	-	-	-	-
Attock Refinery Limited	-	52,997	-	35,497	17,500	2,296,687	2,147,775	(148,912)	0.39	0.02	1.03
Byco Petroleum Pak Limited	898,300	546,719	-	445,019	1,000,000	12,084,673	9,070,000	(3,014,673)	1.65	0.26	4.36
Mani Gas Company Limited	10,000	20,093	-	30,093	-	-	-	-	-	-	-
National Refinery Limited	64,801	54,047	-	108,059	10,789	3,937,661	3,800,533	(137,128)	0.69	0.01	1.83
Oil and Gas Development Company Limited	-	2,500	-	2,500	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	150,993	-	150,993	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	145,422	-	140,422	5,000	1,085,750	1,035,350	(50,400)	0.19	0.00	0.50
Pakistan State Oil Company Limited	-	27,000	-	19,500	7,500	2,035,553	1,984,350	(51,203)	0.36	0.00	0.95
Shell Pakistan Limited	62,219	17,500	-	-	79,719	20,845,554	17,937,572	(2,907,982)	3.26	0.12	8.63
CHEMICALS											
Engro Corporation Limited	-	137,100	-	107,100	30,000	5,740,337	4,897,500	(842,837)	0.89	0.01	2.36
Engro Polymer & Chemicals Limited	260,000	77,915	-	172,500	165,415	2,792,680	1,708,737	(1,083,943)	0.31	0.02	0.82
Fatima Fertilizer Company Limited	-	25,000	-	25,000	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	105,000	60,000	-	115,000	50,000	2,154,250	2,107,500	(46,750)	0.38	0.01	1.01
Fauji Fertilizer Company Limited	34,312	117,121	-	151,433	-	-	-	-	-	-	-
KCI Pakistan Limited	29,000	135,719	-	149,719	15,000	2,199,758	2,277,750	77,992	0.41	0.01	1.10
Lotte Pakistan PTA Limited	-	100,000	-	100,000	-	-	-	-	-	-	-
Sitara Peroxide Limited	89,987	10,000	-	99,987	-	-	-	-	-	-	-
CONSTRUCTION AND MATERIALS											
D.G.Khan Cement Limited	110,000	252,500	-	332,500	30,000	692,850	689,700	(3,150)	0.13	0.01	0.33
Fauji Cement Company Limited	1,280,950	-	-	116,511	1,164,439	13,513,785	4,797,489	(8,716,296)	0.87	0.17	2.31
Fauji Cement Company Limited-LOR	-	-	1,173,874	1,173,874	-	-	-	-	-	-	-
Lucky Cement Company Limited	42,500	149,667	-	142,167	50,000	3,622,142	3,542,000	(80,142)	0.64	0.02	1.70
GENERAL											
Ecopack Limited	1,402,337	-	-	293,271	1,109,066	36,967,705	1,341,970	(35,625,735)	0.24	4.83	0.65
Thal Limited	4,382	5,000	-	9,382	-	-	-	-	-	-	-
BEVERAGES											
Muree Brewery Company Limited	34,162	-	6,832	-	40,994	1,708,361	4,554,433	2,846,072	0.83	0.24	2.19
FOOD PRODUCERS											
Clover Pakistan Limited	2,500	-	-	2,500	-	-	-	-	-	-	-
J.D.W. Sugar Mills Limited	66,288	-	5,479	41,767	30,000	1,173,476	2,415,300	1,241,824	0.44	0.06	1.16
Nestle Pakistan Limited	1,366	120	-	1,486	-	-	-	-	-	-	-
Shakar Ganj Mills Limited-(R.C.Pref) 8.50%	400,000	-	-	100	399,900	4,078,980	979,755	(3,099,225)	0.18	1.16	0.47
PERSONAL GOODS											
Azgard Nine Limited	-	82,500	-	82,500	-	-	-	-	-	-	-
Azgard Nine Limited (Pref) 8.95%	506,932	-	-	-	506,932	5,017,866	4,967,934	(49,932)	0.90	0.77	2.39
Nishat Mills Limited	174,957	327,000	-	451,957	50,000	2,941,028	2,517,000	(424,028)	0.46	0.01	1.21
PHARMA AND BIO TECH											
GlaxoSmithKline Pakistan Limited	259,557	-	38,934	1	298,490	28,035,554	22,924,032	(5,111,522)	4.17	0.15	11.02
Otsuka Pakistan Limited	257,001	-	-	-	257,001	10,861,566	8,352,533	(2,509,033)	1.52	2.57	4.02



Sector & Scrips	Number of Scrips					As at June 30, 2011			Percentage in Relation to		
	Opening Balance	Purchased During the Period	Bonus/Right	Sold During the Period	Closing Balance	Cost	Market Value	Appreciation/ (Diminution)	Net Assets of the Fund (with Market Value of Investment)	Paid-Up Capital of Investee Company (with Face Value of Investment)	Total Market Value (Carrying Value of Investment)
						----- Rupees -----					
FIXED LINE TELECOMMUNICATION											
Calmate Telips Telecom Limited	213,221	-	-	-	213,221	12,095,484	-	(12,095,484)	-	-	-
Pakistan Telecommunication Company Limited	401,645	373,471	-	475,116	300,000	6,059,296	4,266,000	(1,793,296)	0.78	0.01	2.05
ELECTRICITY											
Hub Power Company Limited	-	13,246	-	13,246	-	-	-	-	-	-	-
Nishat Chunian Power	-	5,000	-	5,000	-	-	-	-	-	-	-
Karachi Electric Supply Company	-	25,000	-	25,000	-	-	-	-	-	-	-
GAS WATER AND MULTUTILITIES											
Sui Northern Gas Pipelines Limited	-	84,000	-	84,000	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	408,207	15,625	303,832	120,000	2,809,762	2,600,400	(209,362)	0.47	0.01	1.25
BANKS											
Allied Bank Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Askari Bank Limited	51,500	-	5,150	-	56,650	1,047,946	616,352	(431,594)	0.11	0.01	0.30
Bank Al Habib Limited	157,976	-	27,000	22,976	162,000	4,149,467	4,774,140	624,673	0.87	0.02	2.30
Bank Al-Falah Limited	370,000	60,000	-	30,000	400,000	4,773,914	3,828,000	(945,914)	0.70	0.03	1.84
Bank of Punjab Limited	220,000	190,000	-	10,000	400,000	5,176,770	2,336,000	(2,840,770)	0.42	0.08	1.12
Habib Bank Limited	37,742	3,000	500	41,242	-	-	-	-	-	-	-
Habib Metropolitan Bank Limited	503,619	220,639	96,000	680,019	140,239	2,637,506	3,053,003	415,497	0.56	0.01	1.47
JS Bank Limited	208,000	-	-	208,000	-	-	-	-	-	-	-
MCB Bank Limited	-	32,293	-	32,293	-	-	-	-	-	-	-
National Bank Of Pakistan	53,500	301,770	-	355,270	-	-	-	-	-	-	-
Summit Bank Limited	310,500	-	-	85,500	225,000	2,894,059	846,000	(2,048,059)	0.15	0.03	0.41
United Bank Limited	54,299	115,000	-	169,299	-	-	-	-	-	-	-
NON LIFE INSURANCE											
Adamjee Insurance Company Limited	71,798	94,500	-	110,117	56,181	4,780,070	3,651,203	(1,128,867)	0.66	0.05	1.76
Askari General Insurance Company Limited	106,770	26,692	10,677	26,698	117,441	1,657,915	970,063	(687,852)	0.18	0.42	0.47
Right Allotment - Askari General Insurance Co. Ltd.	-	26,692	-	26,692	-	-	-	-	-	-	-
Atlas Insurance Limited	39,998	-	8,000	1	47,997	2,790,253	1,343,916	(1,446,337)	0.24	0.11	0.65
Pakistan Reinsurance Company Limited	420,777	134,000	-	69,000	485,777	14,094,952	7,723,854	(6,371,098)	1.41	0.16	3.71
LIFE INSURANCE											
American Life Insurance Company Limited	1,500,337	-	-	-	1,500,337	28,218,726	24,680,544	(3,538,182)	4.49	3.00	11.87
Beema Pakistan Company Limited	35,500	-	-	-	35,500	73,825	-	(73,825)	-	-	-
New Jubilee Life Insurance Company Limited	709,935	20,842	-	55,775	675,002	20,159,962	39,075,866	18,915,904	7.11	1.08	18.79
FINANCIAL SERVICES											
Arif Habib Corporation	-	140,000	-	140,000	-	-	-	-	-	-	-
Dawood Equities Limited	698,000	551,000	-	-	1,249,000	15,497,870	1,623,700	(13,874,170)	0.30	5.00	0.78
Jahangir Siddiqui & Company Limited	35,000	232,000	-	267,000	-	-	-	-	-	-	-
EQUITY INVESTMENT INSTRUMENTS											
B.R.R. Guardian Modaraba	1,141,500	-	-	-	1,141,500	8,727,510	2,499,885	(6,227,625)	0.45	1.46	1.20
						<u>301,431,503</u>	<u>207,938,139</u>	<u>(93,493,364)</u>			



5.2 Initially Designated at Fair Value through Profit or Loss Term Finance Certificates/Sukuks

Name of Investee	Note	Profit Mark-up Rate %	Number of Certificate				As at June 30, 2011			Market Value as Percentage of Net Assets	
			As at July 01, 2010	Purchases During the Period	Sales During the Period	Redemptions During the Period	As at June 30, 2011	Carrying Value	Market Value		Application (Diminution)
			----- Rupees -----								
Grays Leasing Limited		K+2.5%	900	-	-	-	900	(156,250)	187,500	343,750	0.03
Escorts Investments Bank Limited		K+2.5%	1,000	-	-	-	1,000	1,637,149	1,465,482	(171,667)	0.27
Telecard Limited	5.2.1	K+3.75%	3,715	-	-	-	3,715	6,066,704	5,119,734	(946,970)	0.93
Pace Pakistan Limited		K+2.0%	2,000	-	-	-	2,000	9,722,543	6,717,040	(3,005,503)	1.22
Trust Investment Bank Limited		K+1.85%	5,000	-	-	-	5,000	13,487,009	14,907,457	1,420,448	2.71
Trakker Private Limited		K+3.5%	50	-	-	-	50	609,282	618,149	8,867	0.11
New Allied Electronics Industries Limited	5.2.2	K+2.75%	3,417	-	-	-	3,417	7,222,749	-	845,163	0.00
Optimus Limited		K+2.1%	5,000	-	5,000	-	-	-	-	962,729	0.00
Avani Hotels Limited		K+2.50%	507	-	-	-	507	1,994,442	2,094,963	100,521	0.38
Kohat Cement Limited (Sukuks)		K+1.8%	5,000	-	-	-	5,000	18,112,500	16,132,780	(1,979,720)	2.93
Invest Capital Investment Bank Limited (Sukuks)	5.2.3	K+1.9%	5,000	-	-	-	5,000	18,785,330	10,703,995	(8,081,335)	1.95
BRR Gaurdian Modarba (Sukuks)	5.2.4	K+1.3%	5,000	-	-	-	5,000	21,858,625	18,750,000	(3,108,625)	3.41
Amtex Limited (Sukuks)	5.2.5	K+2.0%	6,000	-	-	-	6,000	21,105,625	15,750,000	(5,355,625)	2.87
Maple Leaf Cement Limited		K+1%	12,110	-	-	-	12,110	6,000,959	37,925,213	31,924,254	6.90
Maple Leaf Cement Limited (Additional Sukuks)		K+1%	-	454	-	-	454	2,270,000	1,598,214	(671,786)	0.29
Shahmuraad Sugar Mills Limited		K+2.25%	30	-	-	30	-	-	-	(623,105)	0.00
								128,716,667	131,970,527	11,661,388	

- 5.2.1 Investment in Telecard Limited TFCs amounted to Rs. 6,066,704. As of balance sheet date, these TFCs are classified by MUFAP as non-performing debt securities.
- 5.2.2 Investment in New Allied Electronics Industries Limited TFCs amounting to Rs. 7,222,749 has been fully provided for as per Annexure II of Circular No. 1 of 2009 issued by SECP as these TFCs are classified by MUFAP as non-performing debt securities.
- 5.2.3 The Fund has total investment in Invest Capital Investment Bank Limited Sukuks amounting to Rs. 18,785,330. As of the balance sheet date, these Sukuks are classified by MUFAP as non-performing debt securities. This investment has been provided for as per Annexure II of Circular No. 1 of 2009 issued by SECP.
- 5.2.4 Investment in BRR Guardian Modarba amounted to Rs. 21,858,625. As of the balance sheet date, these Sukuks are classified by MUFAP as non-performing debt securities. This investment has been provided for as per Annexure II of Circular No. 1 of 2009 issued by SECP.
- 5.2.5 Investment in Amtex Limited Sukuks amounted to Rs. 21,105,625. As of the balance sheet date, these Sukuks are classified by MUFAP as non-performing debt securities. This investment has been provided for as per Annexure II of Circular No. 1 of 2009 issued by SECP.



	Note	2011 Rupees	2010 Rupees
6. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Considered good			
Advance Tax		138,726	100,178
Security Deposits		3,550,000	3,550,000
Dividend Income		1,135,201	1,052,880
Profit on TFC's / Sukuks		2,385,709	10,066,829
Profit on Bank Balances		158,577	1,204,697
Receivable from National Clearing Company of Pakistan Limited		5,172,404	240,845
		<u>12,540,617</u>	<u>16,215,429</u>

7. REMUNERATION PAYABLE TO MANAGEMENT COMPANY

The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of NBFC Rules for the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund, and two percent per annum of the average annual net assets thereafter.

8. REMUNERATION PAYABLE TO TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the trust deed as per tariff specified therein, based on the daily net asset value of the Fund.

9. ANNUAL FEE PAYABLE TO SECP

This represents the annual fee payable to SECP in accordance with Rule 62 of NBFC Rules at the rate of 0.085 % (2010 : 0.085 %) of the average annual net assets value of the Fund.

10. PRELIMINARY EXPENSES PAYABLE TO MANAGEMENT COMPANY

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operation of the Fund. These costs have been fully amortized during the period ended June 30, 2005.

The preliminary expenses and floatation costs are to be reimbursed by the Fund to the Management Company in equal amount paid annually over a period of five years.



	Note	2011 Rupees	2010 Rupees
Opening Balance		-	1,000,000
Paid During the Year		-	(1,000,000)
Closing Balance		-	-

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to Broker Against Purchase of Shares		5,000	5,000
Audit Fee		195,000	207,000
Income Tax Payable		-	21,400
Commission Payable to Broker		256,707	299,322
Workers' Welfare Fund Payable	11.1	1,327,216	-
Other Payables		659,608	578,205
		<u>2,443,531</u>	<u>1,110,927</u>

11.1 Through the Finance Act, 2008 an amendment was made in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. The Trustee of the CISs filed a petition before the Honorable High Court of Sindh on the ground that the CISs (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 08, 2010 issued advice and clarifications which stated that WWF Ordinance does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including mutual funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated July 15, 2010, the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers' Welfare Fund under Section 4 of WWF Ordinance. However, the income on mutual fund(s), the product being sold, is exempted under the law *ibid*."



Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated October 06, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by Tax department for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and we understand that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds.

On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter, clarification of the Ministry and the response filed by the Ministry in the Court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the Management Company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 1.327 million as at June 30, 2011.

	Note	2011 Rupees	2010 Rupees
12. DIVIDEND PAYABLE			
Dividend Payable to Certificate Holders	12.1	<u>282,450</u>	<u>282,450</u>

12.1 This includes Rs. 257,457 in respect of dividend payable declared in the year 2007.

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully Paid Ordinary Certificates of Rs. 10 /- each

2011 (Number of Certificates)	2010		2011 Rupees	2010 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. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There were no contingencies as at the balance sheet date.

14.2 Commitments

There were no capital commitments as at the balance sheet date.



	2011 Rupees	2010 Rupees
15. UNREALIZED GAIN/(LOSS) ON REVALUATION OF INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Unrealized Gain/(Loss) on Listed Securities	32,557,433	(27,771,191)
Unrealized Gain/(Loss) on Revaluation of Term Finance Certificates/Sukuks	11,661,387	(46,603,296)
Unrealized Loss on Revaluation of T-Bills	(21,621)	-
	<u>44,197,199</u>	<u>(74,374,487)</u>
16. AUDITORS REMUNERATION		
Annual Audit Fee	150,000	120,000
Half-Year Review	42,000	42,000
Other Certification and Services	45,000	40,000
	<u>237,000</u>	<u>202,000</u>
17. EARNINGS PER CERTIFICATE		
Profit/(Loss) for the Year	<u>65,033,573</u>	<u>(36,305,411)</u>
Weighted Average Certificates Outstanding During the Year	<u>58,075,000</u>	<u>58,075,000</u>
Earnings/(Loss) Per Certificate - Basic and Diluted	<u>1.12</u>	<u>(0.63)</u>
18. TRANSACTIONS WITH CONNECTED PERSONS/RELATED PARTIES		

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 Management Company, 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 Management Company 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:



	2011 Rupees	2010 Rupees
Management Company		
Balances at the Beginning of the Year	768,377	2,288,756
Remuneration for the Year	10,753,193	13,613,215
Reimbursement of Formation & Floatation		
Cost During the Year	-	(1,000,000)
Remuneration Paid During the Year	(10,586,341)	(14,133,594)
Balances at the End of the Year	<u>935,229</u>	<u>768,377</u>
Trustee		
Balances at the Beginning of the Year	67,902	73,423
Remuneration for the Year	902,909	890,357
Remuneration Paid During the Year	(894,363)	(895,878)
Balances at the End of the Year	<u>76,448</u>	<u>67,902</u>

19. FINANCIAL RISK MANAGEMENT POLICIES

The Fund's activities expose it to the following financial risks. The management of these risks is carried out by Compliance and Risk Management Department headed by the Head of Compliance and Risk Management (HOC & RM) who is responsible for identifying, evaluating or measuring significant risks inherent in the organization as well establishing controls in coordination with the relevant department to mitigate such risks. The department also monitors concentration of exposure to market risk.

19.1 Price Risk

Price risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market prices. This risk arises from the investments held by the Fund for which prices are uncertain in future. The Management Company manages its price risk by monitoring exposure on marketable securities by following the internal guidelines of the Investment Committee and NBFC regulations laid down by the SECP.

The majority of the Fund's equity investments are publicly traded on stock exchange. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund's Investment Committee and is reviewed periodically by the Management Company. Compliance with the Fund's investment policies are reported to the Management Company on regular basis.

The Management Company manages price risk through diversification and continued monitoring of its investment portfolio.

As at June 30, 2011, the fair value of equity securities exposed to price risk were as follows:



	2011 Rupees	2010 Rupees
Held for Trading - Investments	<u>207,938,139</u>	<u>230,259,713</u>

The following table illustrates the sensitivity of the profit for the period and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Funds's equity securities at each statement of assets and liabilities date, with all other variables held constant.

Held for Trading - Profit and Loss Account impact	<u>10,396,907</u>	<u>11,512,986</u>
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Risk Management/Mitigation

The Fund monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Fund's policy requires the Fund's management to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.

The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates.

The Fund's policy refrains from holding interest bearing instruments that induce the average effective duration of the fixed interest portfolio to pass the benchmark of the average duration.

FAIR VALUE OF FINANCIAL INVESTMENTS

The Fund's accounting policy on fair value measurements of the investments is detailed in note 3.1 to these financial statements.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).



As at June 30, 2011, the investments were categorised as follows:

	2011 Rupees	2010 Rupees
Level 1		
Listed Marketable Securities	202,970,205	230,259,713
Term Finance Certificates	-	24,017,271
Level 2		
Term Finance Certificates/Sukuku	131,970,527	159,050,419
Treasury Bills	175,148,222	-
Listed Marketable Securities	4,967,934	-
Level 3	-	-
	<u>515,056,888</u>	<u>413,327,403</u>

19.2 Yield/Interest Rate Risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Markup rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates.

Sensitivity to the markup rate risk arises from mismatches or gaps in the amounts of markup based assets and liabilities that mature or reprice in a given period.

The Management Company has diversified their investments and invested in fixed interest rate investments to minimize exposure to interest rate risk.

The interest rate profile of the Fund is as follows: -

Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
Rupees			

As at June 30, 2011

Term Finance Certificates	69,035,537	-	-	69,035,537
Sukuk Bonds	62,934,989	-	-	62,934,989
Advances, Deposits and Other Receivables	-	-	12,540,617	12,540,617
Cash at Bank	26,284,893	-	24,838	26,309,731
Total	<u>158,255,419</u>	<u>-</u>	<u>12,565,455</u>	<u>170,820,874</u>

As at June 30, 2010

Term Finance Certificates	68,936,548	-	-	68,936,548
Sukuk Bonds	114,131,142	-	-	114,131,142
Advances, Deposits and Other Receivables	-	-	16,215,429	16,215,429
Cash at Bank	57,785,902	-	24,838	57,810,740
Total	<u>240,853,592</u>	<u>-</u>	<u>16,240,267</u>	<u>257,093,859</u>



If the interest rate would have been higher or lower by 50 basis points and all the other variables remain constant, the Fund's profit would have been higher/(lower) by Rs.791,277 for the year ended June 30, 2011. This is attributable to the Funds exposure to interest rates on its floating rate securities.

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

19.3 Credit Risk

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

The Management Company follows the investment restrictions/exposure limits to minimize credit risk. Transactions are entered into with approved brokers and with diverse credit-worthy counter parties, thereby mitigating significant credit risk and its concentration, if any.

In summary, compared to the amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at June 30, 2011 is as follows: -

	June 30, 2011		June 30, 2010	
	Statement Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
	Rupees			
Investments	515,056,888	207,938,139	413,327,403	230,259,713
Advance, Deposits and Other Receivables	12,540,617	10,154,908	16,215,429	6,148,600
Cash and bank balances	26,309,731	26,309,731	57,810,740	57,810,740
	<u>553,907,236</u>	<u>244,402,778</u>	<u>487,353,572</u>	<u>294,219,053</u>

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

	2011 Rupees	2010 Rupees
Term Finance Certificates	69,035,537	68,936,548
Sukuk Bonds	62,934,989	114,131,142
	<u>131,970,526</u>	<u>183,067,690</u>



19.4 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 following are the contractual maturities of financial liabilities:

Not Later than 1 Month	Between 1 and 3 Months	Between 1 Months to 1 Year	Total
Rupees			

As at June 30, 2011

Remuneration Payable to Management Company	935,229	-	-	935,229
Remuneration Payable to Trustee	76,448	-	-	76,448
Annual Fee Payable to Securities and Exchange				
Commission of Pakistan	-	457,016	-	457,016
Creditors, Accrued and Other Liabilities	-	-	2,443,531	2,443,531
Dividend Payable	-	-	282,450	282,450

As at June 30, 2010

Remuneration Payable to Management Company	768,377	-	-	768,377
Remuneration Payable to Trustee	67,902	-	-	67,902
Annual Fee Payable to Securities and Exchange				
Commission of Pakistan	-	444,927	-	444,927
Creditors, Accrued and Other Liabilities	-	-	1,110,927	1,110,927
Dividend Payable	-	-	282,450	282,450



19.5 Market Rate of Return (MROR) Sensitivity Position

The Fund's market rate of return sensitivity related to financial assets and financial liabilities based on contractual repricing or maturity dates, which ever is earlier is as follows:

	Effective rate (%) per annum	2011 Exposed to MROR risk			Not exposed to MROR risk	Total
		Upto three months	More than three months and upto one year	More than one year		
Financial Assets						
Bank Balances	5 - 10.75	26,309,731	-	-	-	26,309,731
Investments	13.29 - 17.47	-	175,148,222	131,970,527	207,938,139	515,056,888
Advances, Deposits and Other Receivables	-	-	-	-	12,540,617	12,540,617
		<u>26,309,731</u>	<u>175,148,222</u>	<u>131,970,527</u>	<u>220,478,756</u>	<u>553,907,236</u>
Financial Liabilities						
Remuneration Payable to Management Company	-	-	-	-	(935,229)	(935,229)
Remuneration Payable to Trustee	-	-	-	-	(76,448)	(76,448)
Annual Fee Payable to SECP Creditors, Accrued and Other Liabilities	-	-	-	-	(457,016)	(457,016)
Dividend payable	-	-	-	-	(2,443,531)	(2,443,531)
		-	-	-	(282,450)	(282,450)
		-	-	-	(4,194,674)	(4,194,674)
On-Balance Sheet Gap		<u>26,309,731</u>	<u>175,148,222</u>	<u>131,970,527</u>	<u>216,284,082</u>	<u>549,712,562</u>

	Effective rate (%) per annum	2010 Exposed to MROR risk			Not exposed to MROR risk	Total
		Upto three months	More than three months and upto one year	More than one year		
Financial Assets						
Bank Balances	5 - 10.75	57,810,740	-	-	-	57,810,740
Investments	9.5 - 19.4	-	-	183,067,690	230,259,713	413,327,403
Advances, Deposits and Other Receivables	-	-	-	-	16,215,429	16,215,429
		<u>57,810,740</u>	<u>-</u>	<u>183,067,690</u>	<u>246,475,142</u>	<u>487,353,572</u>
Financial Liabilities						
Remuneration Payable to Management Company	-	-	-	-	(768,377)	(768,377)
Remuneration Payable to Trustee	-	-	-	-	(67,902)	(67,902)
Annual Fee Payable to SECP Creditors, Accrued and Other Liabilities	-	-	-	-	(444,927)	(444,927)
Dividend Payable	-	-	-	-	(1,110,927)	(1,110,927)
		-	-	-	(282,450)	(282,450)
		-	-	-	(2,674,583)	(2,674,583)
On-Balance Sheet Gap		<u>57,810,740</u>	<u>-</u>	<u>183,067,690</u>	<u>243,800,559</u>	<u>484,678,989</u>



19.6 Market Rate of Return (MROR) Risk

MROR risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Management Company manages investments portfolio in a manner to reduce the risk of loss in market value of investments as a result of changes in market interest rates.

20. PATTERN OF CERTIFICATE HOLDINGS

Category	No. of Certificate Holders	Certificates Held	% of Total
Individuals	672	23,964,731	41%
Associated Companies	1	7,607,825	13%
Financial Institutions	4	9,553,609	16%
Insurance Companies	2	185,900	0%
Joint Stock Companies	12	6,024,630	10%
Investment Companies	1	454,913	1%
Modarbas	4	2,215,441	4%
Cooperative Societies	1	63,723	0%
Others	6	8,004,228	14%
	703	58,075,000	100%

21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

The fair value of investments categorised as financial assets at fair value through profit or loss is based on the closing market prices ruling at the day-end. The Management Company is of the view that the fair market value of most of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short-term in nature.

22. ACCOUNTING ESTIMATES AND JUDGMENTS

22.1 Investments Stated at Fair Value Through Profit or Loss

The Management Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, cannot be determined with precision.



22.2 Other Assets

Judgment is also involved in assessing the realisability of asset balances.

23. PERFORMANCE TABLE	2011	2010	2009	2008	2007	2006
Net Asset Value (Rupees in '000,000)	549.71	485	521	752	775	618
Net (Loss)/Income (Rupees in '000,000)	65	(36)	(220)	36	157	113
Net Asset Value Per Certificate	9.47	8.35	8.97	12.96	13.34	12.24
Earnings/Loss Per Certificate (Rupees)	1.12	(0.63)	(3.79)	0.61	2.70	1.95
Dividend/Bonus Distribution (%)	3.30	Nil	Nil	2.00	10.00	15.00

24. LIST OF TOP TEN BROKERS IN ORDER OF PERCENTAGE OF COMMISSION

Name of Brokers	Percentage of Commission
Dawood Equities Limited	20.32%
Pearl Securities (Pvt.) Limited	18.86%
Adam Securities (Pvt.) Limited	11.43%
Live Securities (Pvt.) Limited	9.53%
Invest & Finance Securities (Pvt.) Limited	9.33%
Elixir Securities Pakistan (Pvt.) Limited	7.14%
We Financial Services Limited	6.89%
Foundation Securities (Pvt.) Limited	4.49%
Habib Metropolitan Financial Services Limited	3.18%
Shezad Chamdia Securities (Pvt.) Limited	3.13%
First National Equities Limited	2.67%

25. DETAIL OF MEMBERS OF INVESTMENT COMMITTEE OF THE MANAGEMENT COMPANY

Name of Member	Qualification	Experience
Miss Tara Uzra Dawood *	Doctorate of Juridical Science (J.D.)	08 Years
Mr. Syed Kabiruddin *	ACMA & ACIS	20 Years
Mr. Muhammad Abbas *	MBA Finance	12 Years
Mr. Muhammad Aslam *	B.Com	25 Years
Mr. Zeeshan Swalaheen *	M.A - Economics & Finance	02 Years
Mr. Muntanshir Shabbar **	MCS and MPA	08 Years
Mr. Muhammad Amir Siddiqui **	CA Finalist	08 Years
Mr. Muhammad Ahmed **	B.Com	19 Years
Mr. Saleem Munchi **	MBA Finance	30 Years

* Appointed during the year

** Left during the year



Ms. Tara Uzra Dawood – CEO & Chief Investment Officer

Ms. Tara Uzra Dawood spearheaded the founding of DCM with ADB and the launching of its mutual funds and Management Company services, as well as its Shariah Division. She is a seasoned communication/business management expert with diverse experience in FI Management, mergers and acquisitions and IPOs with multinational exposure. She has done her Doctorate of Juridical Science (J.D.) from Harvard Law School (including a minor in Islamic Financial and Legal Systems) and Bachelor of Arts Honors (A.B.) from Cornell University and Somerville College, Oxford University.

Mr. Syed Kabiruddin – CFO & Company Secretary

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

Mr. Muhammad Abbas – Fund Manager Fixed Income

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

Mr. Muhammad Aslam – Assistant Fund Manager Equity

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

Mr. Zeeshan Swalaheen – Research Associate

Mr. Zeeshan is a Masters of Economics and Finances from Karachi University and has 2 ½ years of professional experience. Before joining Dawood Capital Management he has worked with Faysal Bank and Topworth commodity brokerage house.



26. PARTICULARS OF FUND MANAGER

Name of Fund Manager	Qualification	Names of Other Funds
Miss Tara Uzra Dawood *	Doctorate of Juridical Science (J.D.)	Dawood Islamic Fund and Dawood Income Fund (formerly Dawood Money Market Fund)
Mr. Muhammad Aslam *	B . Com	Dawood Islamic Fund and Dawood Income Fund (formerly Dawood Money Market Fund)
Mr. Muhammad Abbas*	MBA Finance	Dawood Islamic Fund and Dawood Income Fund (formerly Dawood Money Market Fund)
Mr. Muhammad Ahmed**	B . Com	Dawood Islamic Fund and Dawood Income Fund (formerly Dawood Money Market Fund)

* Appointed during the year

** Left during the year

27. FUNDS RATING

The Management Company has been rated at AM3- by PACRA through letter dated August 26, 2011.

The Fund has been rated at 2 Star by PACRA through letter dated September 17, 2010 .



**28. ATTENDANCE OF MEETING OF BOARD OF DIRECTORS
OF THE MANAGEMENT COMPANY**

Name of Directors	Held	Attended	Leave Granted
Mr. Feroze Sayeed-ud-Deane *	5	2	3
Miss Tara Uzra Dawood	5	5	-
AVM (Retired) Zulfiqar Ahmed Shah *	5	3	2
Syed Shabhat Hussain	5	5	-
Mr. Nazimuddin Feroz	5	2	3
Mr. Gul Nawaz	5	5	-
Mr. Masood A.S. Wahedna	5	3	2

* Left during the year

29. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on September 7, 2011 by the Board of Directors of the Management Company.

30. GENERAL

Figures have been rounded off to nearest rupee.

**For and on behalf of Dawood Capital Management Limited
(Management Company)**

Chief Executive Officer

Director

Director



PATTERN OF SHAREHOLDING AS ON 30-JUNE-2011			
No. of Certificate Holders	Certificate Holding		Total Certificate Held
	From	To	
109	1	100	3,705
53	101	500	20094
153	501	1,000	104,811
157	1,001	5,000	462,134
57	5,001	10,000	446,761
18	10,001	15,000	225,899
17	15,001	20,000	318,750
23	20,001	25,000	536,001
11	25,001	30,000	313,083
6	30,001	35,000	201,340
7	35,001	40,000	266,707
12	40,001	45,000	509,679
6	45,001	50,000	298,000
3	50,001	55,000	159,499
8	55,001	60,000	462,725
2	60,001	65,000	128,723
1	65,001	70,000	69,750
1	70,001	75,000	75,000
5	75,001	80,000	384,124
1	85,001	90,000	85,496
1	90,001	95,000	90,900
2	95,001	100,000	200,000
2	100,001	105,000	205,124
2	105,001	110,000	220,000
2	115,001	120,000	232,300
2	120,001	125,000	248,000
3	145,001	150,000	446,000
1	155,001	160,000	155,825
1	180,001	185,000	181,150
1	190,001	195,000	193,250
1	195,001	200,000	200,000
1	205,001	210,000	210,000
2	220,001	225,000	447,692
1	225,001	230,000	229,499
1	240,001	245,000	245,000
1	270,001	275,000	273,800
1	275,001	280,000	275,154
1	310,001	315,000	311,200
1	380,001	385,000	384,995
2	450,001	455,000	908,391
1	575,001	580,000	577,800
2	580,001	585,000	1,161,500
1	595,001	600,000	596,777
1	755,001	760,000	760,000



PATTERN OF SHAREHOLDING AS ON 30-JUNE-2011			
No. of Certificate Holders	Certificate Holding		Total Certificate Held
	From	To	
1	795,001	- 800,000	797,993
1	895,001	- 900,000	900,000
1	975,001	- 980,000	976,000
1	995,001	- 1,000,000	1,000,000
1	1,040,001	- 1,045,000	1,040,750
1	1,070,001	- 1,075,000	1,074,745
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	1,450,001	- 1,455,000	1,454,281
1	2,145,001	- 2,150,000	2,150,000
1	2,220,001	- 2,225,000	2,224,000
1	2,495,001	- 2,500,000	2,500,000
1	2,880,001	- 2,885,000	2,884,250
1	3,350,001	- 3,355,000	3,350,050
1	3,480,001	- 3,485,000	3,484,500
1	4,090,001	- 4,095,000	4,091,136
1	5,260,001	- 5,265,000	5,262,059
1	7,605,001	- 7,610,000	7,607,825
703			58,075,000

CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2011

Category	Number of Certificate Holders	Number of Certificate Held	Percentage
Individual Local	672	23,964,731	41.27
Associated Company	1	7,607,825	13.10
Modaraba Company	4	2,215,441	3.81
Cooperative Societies	1	63,723	0.11
Financial Institutions	4	9,553,609	16.45
Insurance Companies	2	185,900	0.32
Investment Companies	1	454,913	0.78
Joint Stock Companies	12	6,024,630	10.37
Others	6	8,004,228	13.78
Total	703	58,075,000	100.00



PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30, 2011

S. No.	Certificateholders	Numbers	Certificates Held	Percentage %
1	Associated Companies	2	10,247,206	17.64
	B.R.R. Guardian Modaraba		1,454,281	2.50
	Dawood Capital Management Limited		8,792,925	15.14
2	Directors, CEO and their Spouses and Minor Children	1	42,837	0.07
	Tara Uzra Dawood		42,837	0.07
3	Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	29	23,863,063	41.09
4	Certificate Holders holding ten percent or more in the Company			
	Dawood Capital Management		8,792,925	15.14