



CONTENTS

Corporate Information	2
Vision Statement	3
Mission Statement	4
Report of the Directors of the Investment Advisor	5
Report of the Fund Manager	10
Report of the Trustee	13
Statement of Compliance with The Code of Corporate Governance for the Year Ended June 30, 2009	14
Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance	16
Auditors' Report to the Certificate Holders	17
Financial Statements :	
Statement of Assets and Liabilities	18
Income Statement	19
Distribution Statement	20
Statement of Movement in Equity and Reserves	21
Cash Flow Statement	22
Notes to the Financial Statement	23
Pattern of Certificate Holding	50



CORPORATE INFORMATION

Investment Advisor	Dawood Capital Management Limited 1500-A Saima Trade Towers, I. I. Chundrigar Road Karachi 74000		
UAN	:	111-DAWOOD (111-329-663)	
PABX	:	(92-21) 3227-5265	
Fax	:	(92-21) 3227-1912	
E-Mail	:	dcm@firstdawood.com	
Website	:	www.firstdawood.com/dcm	
Board of Directors	Mr. Feroze Sayeed-Ud-Deane	Chairman	(Nominee of BRRGM)
	Miss Tara Uzra Dawood	Chief Executive Officer	
	Mr. Iftikhar Hussain	Director	(Nominee of FDIB)
	Mr. Nazimuddin Feroz	Director	(Nominee of BRRGM)
	AVM (Retd.) Zulfiqar Ahmed Shah	Director	(Nominee of FDIB)
	Mr. S. Shabahat Hussain	Director	(Subject to SECP Approval)
	Mr. Asim Iftikhar	Director	(Subject to SECP Approval)
Chief Financial Officer	Mr. Muhammad Saleem Munshi		
Company Secretary	Mr. Tahir Mehmood		
Audit Committee	AVM (Retd.) Zulfiqar Ahmed Shah	Chairman	
	Mr. Iftikhar Hussain	Member	
Auditor	BDO Ebrahim & Co. Chartered Accountants		
Tax Advisors	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	Dawood Islamic Bank Limited Habib Metropolitan Bank Limited Silkbank Limited		
Registrar	F. D. Registrar Services (SMC Pvt.) Ltd. 1700-A Saima Trade Towers I. I. Chundrigar Road Karachi 74000		
Rating	PACRA: 2-Star		
AMC Rating	PACRA: AM4+		



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 INVESTMENT ADVISOR

On behalf of the Board of Directors of Dawood Capital Management Limited (the Company), the Investment Advisor of First Dawood Mutual Fund (the Fund), it gives me immense pleasure to present the Fifth Annual Report of the Fund along with the Audited Financial Statements, and Auditors' Report to the certificate holders for the year ended June 30, 2009.

Fund Performance

As at June 30, 2009, net assets were Rs. 520.98 million as compared to Rs. 752.47 million as at June 30, 2008. The net loss for the financial year 2008-09 is Rs. 219.87 million, as against net income before distribution was Rs.35.55 million last year. This loss is mainly due to erosion in the Equity portfolio. During the year the fund incurred capital loss of Rs.127.93 million, while unrealized diminution in value of investment was Rs.122.10 million.

(Loss)/Earning per Certificate

As at June 30, 2009, Loss per certificate was Rs. (3.79) as compared to Earning of Rs. 0.61 per certificate as at June 30, 2008

Dividend

Based on the above the Board of Directors of Investment Advisor has decided not to distribute any dividend to the certificate holders for the year as compared to cash dividend of 2% last year.

Investing Activities/Strategy

The investment strategy devised for the Fund seeks to provide investors with balanced exposure to equity market, debt securities and short-term placements. The Fund's strategy aims to not only preserve investors' capital but also to maximize the value of their investments through a stable income stream.

The portfolio management team selects investments using various analytical disciplines such as top-down fundamental research and quantitative screens in light of the 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.

On June 30, 2009, the Fund has made investments of Rs. 219.18 million mostly in strong dividend payout and blue chip scripts representing 42.07% of net asset value. Major emphasis in building the portfolio was to accumulate those scripts which are under-priced and have huge growth potentials. Major sector-wise weightages of the portfolio are Banks and Financial Institutions 13%, Insurance 25%, Chemicals, Fertilizer and Pharmaceuticals 26%, Oil & Gas sector 6%, Sugar 5%, Refineries 4% and Textile Composite 4%. Break-up of total assets of the Fund are follows:



EP = Equity Portfolio
DS = Debt Securities
BB = Bank Balance
OA = Other Assets

(Rupees in Million)

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) assigned a "Two Star" rating to your Fund as opposed to Four Star last year. This decline was primarily due to economic/financial turmoil, which affected all the sectors with greater impact on the financial/wealth management industry.

Overall Economic Scenario

Performance of the Pakistan economy

During the financial year 2009, Pakistan economy suffered from severe financial crisis, brought upon by record increase in commodity prices decrease in the values of equity, downward revision of debt instruments and capital flight. The government planned for fiscal consolidation initiated by elimination of subsidies, resulting in record inflation at 25.3% on a year to year basis. SBP's foreign exchange reserves reduced to US\$ 3 billion with outstanding massive import bills, with the currency depreciating almost 15% in first quarter of year 2009. Entry into the IMF program and the commodity price meltdown commencing in second quarter of financial year 2009 allowed the economy to regain stability. In to reverse capital flight and suppress inflation. SBP opted for monetary tightening, increasing the policy rate by the total 300bps. However, liquidity pressures compelled SBP to relax SLR & CRR. The current Account Deficit narrowed significantly amid stable currency and building-up reserves. In anticipation of lower inflationary expectation and subsequent policy rate cut, market yield began to decline substantially. Liquidity also improved and KIBOR came down from 15% to 12% at the end of financial year 2009. The fiscal spending has remained restricted with PSDP expenditure greatly underutilized. The real economic activity has been adversely affected with an initial estimate of only 2% of GDP growth. The large scale manufacturing decline by 8.24% during July 2008 to April 2009 as production fell across all major industries due to fall in domestic demand increase in inputs and exports. The agriculture sector showed strong performance with growth of 4.7% on the back of bumper wheat crop, while service sector recorded growth of 3.6%.

Market Outlook and Prospects

The bearish sentiments prevailed in the market with the benchmark KSE-100 index depicted a falling pattern during the period except in some trading sessions in the mid of July and August. Due to persistent decline in the market amid shrinking investor confidence the market regulator decided to put a floor on the benchmark KSE-100 index at 9,144.93 points level. Resultantly, with weak market sentiments and market floor in place the index remained almost flat during the period. This was the first time in world stock market's history that the trading activities remained suspended for 110 days. After the removal of floor, index follows the declining



trend and reached to 4,781.78 index level which was 4 years low (down 61.05%). Beside this, the prolonged index freezing also caused the market to be excluded from MSCI. Deteriorating economic profile, political uncertainty, global liquidity constraints and global recession were the major reasons attributable to this decline. During first quarter 2009, trading activity at KSE finally started getting momentum on the back of attractive fundamentals on January 27th 2009 market rebounded and tracks on positive momentum and made high of 8,038.02 points level during quarter, which is the boost of 3256.24 index points (up 68.10%). KSE-100 index remained volatile on the back of likely budgetary announcements & prevailing disturbed law & order situation of the country. The market capitalization also decline by 43.87% to PRs 2.12 tn as against PRs3.78 tn on June 30th, 2008. The Foreign Investors Portfolio Investment (FIPI) during the period recorded a net outflow of a US\$ 444.71mn.

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 units of the Fund carried out by the Directors, Chief Executive Officer, Company Secretary and their spouses and their minor children.
- 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.

Trading in certificates of the fund

During the year, no trading in the certificate of the fund was carried out by the Directors, CEO, CFO, Company Secretary and their spouses of minor children.

Changes in Directors

Since the last report, there have been changes in the composition of the Board of the management company. Mr. Anwar A. Sheikh and Mr. Gul Nawaz (Nominee of NIT) have resigned during the year. AVM (Retd.) Syed Javed Raza and Mr. Jamal Nasim have been appointed as new director, respectively who are subject to SECP approval.

The Board would like to place on record its appreciation of the sincere efforts made by the retiring director and wish to welcome on Board the new elected director.

Currently, the Company has Seven Directors on its Board.



Board of Directors Meetings

During the year 2008-09 Seven (7) meetings of the Board of Directors of the management company were held, the requisite details are as under:

S. No	Name	Designation	Entitlement to Attend Meeting	Leave of Absences
1.	Mr. Feroze Sayeed-ud-Deane	Chairman	7	1
2.	Miss Tara Uzra Dawood	Chief Executive	7	1
3.	AVM (Retd.) Zulfiqar Ahmed Shah	Director	7	-
4.	Mr. Iftikhar Hussain	Director	7	1
5.	Mr. Nazimuddin Feroz	Director	7	7
6.	Mr. Gul Nawaz	Director	5	2
7.	Mr. Jamal Nasim (Subject to SECP Approval)	Director	-	2
8.	Mr. Anwar A. Sheikh	Director	5	4
9.	AVM (Retd.) Syed Javed Raza (Subject to SECP Approval)	Director	-	2

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.

AVM (Retd.) Zulfiqar Ahmed Shah	Chairman
Mr. Iftikhar Hussain	Member
Vacant	(Under the process of appointment)

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 auditors, M/s BDO Ebrahim & Co., Chartered Accountant are due for retirement and being eligible, offer themselves for re-appointment. As required under the Code of Corporate Governance the Audit Committee of Management Company has recommended the appointment of M/s BDO Ebrahim & Co., Chartered Accountant as auditors for the year ending June 30, 2010.

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 Fund 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.firstdawood.com/dcm, which provides corporate product information.

Pattern of Certificate Holders as on June 30, 2009

The pattern of certificate holders as on June 30, 2009 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

We take the opportunity to thank our customers, business associates, leading banks and financial institutions for putting their trust with us and allowing us to cater to their financial needs. We also appreciate the guidance provided to FD MF by the Management Company, Trustee and the Securities and Exchange Commission of Pakistan. We truly appreciate and value the contribution of our staff who have worked tirelessly to bring quality and growth to the Fund.

In closing, we reaffirm our commitment to our certificate holders to further enhance the value of their investment in the Fund.

For and on behalf of the Board,

Karachi
September 15, 2009

Chairman



REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2009

Fund Objective

First Dawood Mutual Fund (FDMF) objective is to provide investors the opportunity to earn income and long term capital growth through investment.

Investment Strategy

The investment strategy devised for the Fund seeks to provide investors with balanced exposure to equity securities, debt securities and short-term placements. The Fund's strategy aims to not only preserve investors' capital but also to maximize the value of their investments while providing a stable stream of income.

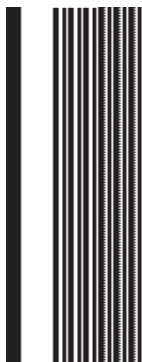
Market Performance

The bearish sentiments prevailed in the market with the benchmark KSE-100 index depicted a falling pattern during the period except in some trading sessions in the mid of July and August. Due to persistent decline in the market amid shrinking investor confidence the market regulator decided to put a floor on the benchmark KSE-100 index at 9,144.93 points level. Resultantly, with weak market sentiments and market floor in place the index remained almost flat during the period. This was the first time in the market's history that the trading activities remained suspended for almost three and half months. After the removal of floor, index follows the declining trend and reached to 4,781.78 index level which was 4 years low (down 61.05%). Beside this, the prolonged index freezing also caused the market to be excluded from MSCI. Deteriorating economic profile, political uncertainty, global liquidity constraints and global recession were the major reasons attributable to this decline. During first quarter 2009, trading activity at KSE finally started getting momentum on the back of attractive fundamentals on January 27th 2009 market rebounded and tracks on positive momentum and made high of 8,038.02 points level during quarter, which is the boost of 3256.24 index points (up 68.10%). KSE-100 index remained volatile on the back of likely budgetary announcements & prevailing disturbed law & order situation of the country. The market capitalization also decline by 43.87% to PRs 2.12 tn as against PRs 3.78 tn on June 30th, 2008. Foreign Investors Portfolio Investment (FIPI) during the period recorded a net outflow of a US\$ 444.71mn.

Fund Performance

As at June 30, 2009, net assets were Rs. 520.98 million as compared to Rs. 752.47 million as at June 30, 2008. The net loss for the financial year 2008-09 was Rs. 219.87 million, as against net income before distribution was Rs. 36 million last year. This loss is mainly derived from Equity Prices decline. During the year the fund incurred capital loss of Rs.127.93 million, while unrealized diminution in value of investment was Rs.122.10 million.

Months	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Average
FDMF	-9.03%	-5.77%	0.27%	6.91%	-5.32%	-12.00%	-3.19%	-0.68%	0.34%	1.03%	3.72%	-2.39%	-2.88%
Benchmark	1.64%	1.73%	2.74%	2.85%	2.86%	0.46%	2.12%	2.93%	3.73%	3.00%	2.77%	2.57%	2.14%
Active Return	-10.67%	-7.50%	-2.47%	4.06%	-8.18%	-12.46%	-5.31%	-3.61%	-3.39%	-1.97%	0.95%	-4.96%	-5.02%





- Fund reduced its exposure in Technology & Communication on the basis economic and stock market crisis. Despite of the fact that, that sector has positive fundamentals.
- Fund reduced its allocation to insurance sector at the beginning of the year, because due to the negative fundamentals and technical signals and economic and stock market crisis. At the end of the year fund reduced sector exposure by approx 57.89%.
- Fund decreased its exposure in Commercial Banks during the year from 50.91% due to huge losses in provisioning of None Performing Loans (NPLs) and other negative fundamentals, technical signals weak GDP growth, reduced growth in advances as well as stock market crisis.
- Fund decreased its exposure in cement sector during the year from 64.07% due to less demand of cement as well as reduced prices of cement bags. That reduction is due to increase in coal and energy as well as input prices. Which reduced their margins.

Economic Review:

Factors Which Effect the Market

The bearish trend during the period is attributable to the concerns over the political and economic front of the country. During the year failure of resolving the longstanding issue of reinstatement of the deposed judges, liquidity crises & instability in stock market regulations etc was the key factors in destabilizing the stock market of the country. Furthermore, the deteriorating economic situation of the country with the rising trade deficit, current account deficit skyrocketing inflation and the massive depreciation of the rupee against dollar raised concerned for the local as well as international investors.

Inflow & Outflow from Foreign Portfolio Investment

During the year, the Pakistan stock market due to global economic crisis and deteriorating political and economic condition in Pakistan shrink foreign investors confidence which was main cause of capital flights from our economy. During the year gross buying Rs. 52.68 billion and gross sell Rs. 86.95 billion net outflows was Rs. 34.26 billion that is US\$ 445 million in Foreign Investors Portfolio Investment (FIPI).

Challenges are Inflation & the higher Trade Deficit

Inflationary pressure and Trade deficit is the main challenge for our economy. The key concerns on the economic front were inflationary pressure remained high, for mitigating these problems SBP reducing discount rate from 15% to 13% in previous Monetary Policy. The trade deficit is still at higher side which is \$17.04 billion as compared to \$20.74 billion in 2008 as exports failed to pick up.

Future Outlook

Our future outlook for market is cautious approach should be followed, due to economic and political situation currently in Pakistan. If we compare the total worth of mutual fund industry which is still lower side about 3% of GDP, there is strong potential of growth in the industry. Corporate earning growths are at a more sustainable rate, and current prices are very attractive. The Pakistan equity market historically has been trading at very low multiples offering deeply discounted price in respect to valuation and also compared to its regional peers.

In the near term macroeconomic stability, lower inflation going forward coupled with lower discount rate and National Saving Schemes rates will be major factors driving future industry growth of AMC.



TRUSTEE REPORT TO THE CERTIFICATE HOLDERS

FIRST DAWOOD MUTUAL FUND

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, 2009 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) Rule, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Kamran Qazi
Chief Financial Officer & Company Secretary
Central Depository Company of Pakistan Limited

Karachi: October 05, 2009



**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2009**

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

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

- 1) The Company encourages representation of non-executive directors on its Board of Directors. The Board has one executive director.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurred in the Board and was filled up by the directors in accordance with prescribed requirements.
- 5) The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
- 6) The Board of Directors has adopted a vision / mission statement and all the overall corporate strategy of the Company and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of Chief Executive Officer have been taken by the Board.
- 8) The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter during the year. Written notices of the meetings of the Board of Directors, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Directors of the Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, NBFC & NE Rules and Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and article of Associations and of their duties and responsibilities.
- 10) The Board of Directors of the Company has approved the appointment of the Chief Financial Officer, Internal Auditor and the Company Secretary including their remuneration and terms and conditions of employment as determined by the Chief Executive Officer.
- 11) The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Fund were duly endorsed by the CEO and CFO before approval of the Board.
- 13) The directors, CEO and Executives do not hold any interest in the Certificates of the Fund other than those disclosed in the pattern of certificateholding.
- 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. It comprises 3 members, where all the members are Non-Executive Directors including the chairman of the committee.
 - 16) The meetings of the Audit Committee (AC) were held at least once every quarter prior to approval of interim and annual results of the Fund and as required by the Code. The terms of reference of the (AC) have been formed and advised to the AC for compliance.
 - 17) The Company had its internal audit department during the first two quarters of the year. However, in the last two quarters, the Board has outsourced its Internal Audit function to M/s. Riaz Ahmed & Company, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a full time basis.
 - 18) The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, 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 pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for terms and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
 - 21) We confirm that all other material principles contained in the Code have been complied with.

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

**Karachi
Date: September 15, 2009**

**Tara Uzra Dawood
Chief Executive Officer**



Annual Report 2009

IBDO

BDO Ebrahim & Co.
Chartered Accountants

2nd Floor, Block-C, Lakson Square Building No.1
Sarwar Shaheed Road, Karachi-74200, Pakistan.
Telephone : 35683030, 35683189, 35683498, 35683703
Telefax : 35684239
Email : info@bdoebrahim.com.pk
Website : http://www.bdoebrahim.com.pk

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 Investment Advisor of First Dawood Mutual Fund to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Investment Advisor 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 inquire of the Investment Advisor's personnel and review of various documents prepared by the Investment Advisor 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 transaction 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, 2009.

KARACHI
September 15, 2009

BDO Ebrahim & Co.
Chartered Accountants



BDO Ebrahim & Co.
Chartered Accountants

2nd Floor, Block-C, Lakson Square Building No.1
Sarwar Shaheed Road, Karachi-74200, Pakistan.
Telephone : 35683030, 35683189, 35683498, 35683703
Telefax : 35684239
Email : info@bdoebrahim.com.pk
Website : http://www.bdoebrahim.com.pk

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, 2009 and the income statement, distribution statement, cash flow statement and statement of movement in equity and reserves for the year then ended, and summary of significant accounting policies and other explanatory notes.

Investment Advisor's responsibility for the financial statements

Investment advisor (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, 2009 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
September 15, 2009

BDO Ebrahim & Co.
Chartered Accountants



**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
ASSETS			
Bank Balances	4	25,610,274	35,294,516
Investments	5	473,075,953	684,017,059
Placements	6	-	25,000,000
Advances, Deposits and Other Receivables	7	26,413,094	14,745,260
Total Assets		525,099,321	759,056,835
LIABILITIES			
Remuneration Payable to Investment Advisor	8	1,288,756	1,829,653
Remuneration Payable to Trustee	9	73,423	87,726
Annual Fee Payable to SECP	10	532,692	803,855
Preliminary Expenses Payable to Investment Advisor	11	1,000,000	2,000,000
Creditors, Accrued and Other Liabilities	12	877,036	1,031,423
Dividend Payable	13	343,014	836,896
Total Liabilities		4,114,921	6,589,553
Net Assets		520,984,400	752,467,282
Certificate Holders' Equity			
Issued, Subscribed and Paid-Up Capital	14	580,750,000	580,750,000
Unappropriated (Loss)/Profit		(59,765,600)	171,717,282
Contingencies and Commitments	15	-	-
		520,984,400	752,467,282
Number of Certificates		58,075,000	58,075,000
Net Asset Value Per Certificate (face value per certificate Rs.10/-)		8.97	12.96

The annexed notes 1 to 33 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Investment Advisor)

Chief Executive Officer

Director

Director



**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
INCOME			
Capital (Loss)/Gain on Sale of Investment		(127,934,501)	130,808,524
Income from Continuous Funding System		-	9,828,015
Profit on Term Finance Certificates/Sukuks		30,857,073	15,159,574
Income from Placements		6,447,287	3,484,008
Dividend Income		11,167,279	12,420,655
Profit on Bank Balances		2,646,330	1,259,443
		(76,816,532)	172,960,219
Unrealized Loss on Revaluation of Investments at Fair Value through Profit or Loss	16	(122,098,024)	(105,573,778)
Total Income		(198,914,556)	67,386,441
EXPENSES			
Remuneration of Investment Advisor		17,388,885	24,112,571
Remuneration of Trustee		938,633	1,117,971
Annual Fee of SECP		532,692	803,855
Brokerage and Settlement Charges		1,415,254	4,939,654
Auditors' Remuneration	17	199,000	175,000
Fee and Subscription		394,390	642,917
Bank Charges		9,572	16,737
Legal and Professional Charges		-	30,000
Printing Charges		74,900	-
Total Expenses		20,953,326	31,838,705
Net (Loss)/Income for the Year		(219,867,882)	35,547,736
(Loss)/Earnings per Certificate	18	(3.79)	0.61

The annexed notes 1 to 33 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Investment Advisor)

Chief Executive Officer

Director

Director



**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

	2009	2008
	Rupees	Rupees
Unappropriated Income Brought Forward	171,717,282	194,244,546
Cash Dividend	(11,615,000)	(58,075,000)
Net (Loss)/Income for the Year	(219,867,882)	35,547,736
Unappropriated (Loss)/Income Carried Forward	<u>(59,765,600)</u>	<u>171,717,282</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Investment Advisor)

Chief Executive Officer

Director

Director



**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2009**

	2009 Rupees	2008 Rupees
Face Value of Certificate	10.00	10.00
Capital (Loss)/Gain on Sale of Securities	(2.20)	2.25
Income from Continuous Funding System	-	0.17
Profit on Term Finance Certificates/Sukuks	0.53	0.26
Income from Placements	0.11	0.06
Dividend Income	0.19	0.21
Profit on Bank Balances	0.04	0.02
Other Net Operating Expenses	(0.36)	(0.55)
	8.31	12.42
Unrealized (Loss) on Revaluation of Investments Classified as Financial Assets at Fair Value through Profit or Loss	(2.10)	(1.81)
	6.21	10.61

The annexed notes 1 to 33 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Investment Advisor)

Chief Executive Officer

Director

Director



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

	2009	2008
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/Income for the Year	(219,867,882)	35,547,736
Adjustments:		
Income on Continuous Funding System	-	(9,828,015)
Profit on Term Finance Certificates/Sukuku	(30,857,073)	(15,159,574)
Income on Placements	(6,447,287)	(3,484,008)
Dividend Income	(11,167,279)	(12,420,655)
Profit on Bank Balances	(2,646,330)	(1,259,443)
Adjustments for Non-Cash Items		
Unrealized Loss on Revaluation of Investments classified as Financial Assets at Fair Value through Profit or Loss	122,098,024	105,573,778
(Loss)/Profit Before Working Capital Changes	(148,887,827)	98,969,819
Decrease/(Increase) in Assets		
Investments	88,843,082	(282,310,910)
Placements	25,000,000	35,000,000
Receivables against Continuous Funding System	-	207,152,955
Other Receivables	(3,137,677)	(4,060,702)
	110,705,405	(44,218,657)
(Decrease)/Increase in Liabilities		
Remuneration of Investment Advisor	(540,897)	(17,527,776)
Remuneration of Trustee	(14,303)	(1,025)
Annual Fee of SECP	(271,163)	158,611
Preliminary Expenses Payable	(1,000,000)	(1,000,000)
Creditors, Accrued and Other Liabilities	(154,387)	(584,926)
	(1,980,750)	(18,955,116)
Cash (used in)/Generated from Operations	(40,163,172)	35,796,046
Dividend Paid	(12,108,882)	(57,238,104)
Profit Received on Term Finance Certificates/Sukuku	23,607,952	11,982,728
Income Received on Placements	6,454,871	4,914,780
Dividend Income Received	10,984,061	12,769,048
Profit Received on Bank Balances	1,540,928	1,209,996
Net Cash (Outflow)/Inflow from Operating Activities	(9,684,242)	9,434,494
CASH FLOWS FROM FINANCING ACTIVITIES		
Income Received on Continuous Funding System and Net Cash Inflow from Financing Activities	-	10,344,562
Net (Decrease) / Increase in Cash and Cash Equivalents	(9,684,242)	19,779,056
Cash and Cash Equivalents at Beginning of the Year	35,294,516	15,515,460
Cash and Cash Equivalents at End of the Year	25,610,274	35,294,516

The annexed notes 1 to 33 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Investment Advisor)

Chief Executive Officer

Director

Director



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

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 Investment Advisor, a listed Company incorporated under the Companies Ordinance, 1984 with registered office at 1500-A, Saima Trade Towers, I.I.Chundrigar 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 4+' 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 Regulation), 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.

Initial application of a standard or and interpretation

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



IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS - 32 - Financial Instruments: Disclosure and Presentation. The application of the standard does not have any impact on the Fund's financial statements other than increase in disclosure of information.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Fund does not have any operation in Hyperinflationary Economies and therefore the application of the standard does not have any effect on the Fund's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after July 01, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not have any effect on the Fund's financial statements.

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after January 01, 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Fund's financial statements for the year ended June 30, 2009.

Standards, Interpretations and Amendments not yet effective:

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the date specified below. These standards are either not relevant to the Fund's operations or are not expected to have significant impact of the Fund's financial statements other than increase in disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after January 01, 2009).

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after January 01, 2009).

IAS 27 - Consolidated and separate financial statements' (effective for annual periods beginning on or after January 01, 2009).

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual period beginning on or after January 01, 2009).

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvement project. The effective dates for these amendments vary by standard and most will be applicable to Fund's financial statements for the year ended June 30, 2010.



Amendments to IAS 39 Financial Instruments: Recognition and measurements - Eligible hedged items (effective for annual period beginning on or after July 01, 2009).

Amendments to IFRS 2 - Share based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 01, 2009).

Amendments to IFRS 2 - Share based Payment - Group Cash -settled Share-based Payment Transaction (effective for annual periods beginning on or after January 01, 2010).

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after July 01, 2009).

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after January 01, 2009).

Amendments to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after January 01, 2009).

IFRS 8 Operating Segments (effective for annual periods beginning on or after January 01, 2009) introduces the "management approach" to segment reporting.

IFRIC 15 - Agreement for Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009).

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 01, 2008).

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009).

IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after July 01, 2009).

2.2 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.

2.3 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 thousand rupees.



2.4 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 notes 22 and 23 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 Investment Advisor 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 purchase 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 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 investment advisor 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 costs 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.

		2009 Rupees	2008 Rupees
4. BANK BALANCES			
Profit and loss sharing account	4.1	25,577,136	35,294,516
Current Accounts		33,138	-
		<u>25,610,274</u>	<u>35,294,516</u>

4.1 This carries interest rates ranging from 5 % to 10 % (2008: 4 % to 9 %).

5. INVESTMENTS

Financial Assets at Fair Value Through Profit or Loss

Held For Trading

Listed Marketable Securities	5.1	219,179,081	484,029,741
Term Finance Certificates/Sukuks	5.2	<u>253,896,872</u>	<u>199,987,318</u>
		<u>473,075,953</u>	<u>684,017,059</u>



5.1 Listed Marketable Securities

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

Quoted Sector / Scripts	Number of shares/certificates					Balance as at 30 June 2009			Percentage in relation to		
	Opening Balance	Purchase During the Year	Bonus/Right	Sold During the Year	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 each investment)
Modarabas											
B.R.R. Guardian Modaraba	951,000	190,500	-	-	1,141,500	8,727,510	3,082,050	(5,645,460)	0.59	1.46	1.41
Leasing Companies											
Orix Leasing Corporation Limited	-	25,000	-	25,000	-	-	-	-	-	-	-
Investment Banks/Companies											
Arif Habib Securities Limited	10,000	454,000	1,250	465,250	-	-	-	-	-	-	-
Arif Habib Investment Management Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Arif Habib Limited	-	2,500	-	2,500	-	-	-	-	-	-	-
JS Investment Limited	-	60,000	-	60,000	-	-	-	-	-	-	-
Orix Investment Bank Limited	85,300	-	-	85,300	-	-	-	-	-	-	-
Jahangir Siddiqui & Company Limited	-	673,900	-	673,900	-	-	-	-	-	-	-
First Dawood Investment Bank Limited	1,000	-	100	1,100	-	-	-	-	-	-	-
Dawood Equities Limited	508,500	211,500	-	29,000	691,000	14,753,020	2,618,890	(12,134,130)	0.50	2.76	1.19
Commercial Banks											
Allied Bank Limited	5,000	10,000	-	15,000	-	-	-	-	-	-	-
Arif Habib Bank Limited	281,760	140,212	33,328	265,500	190,000	3,242,188	1,328,100	(1,914,088)	0.25	-	0.61
Askari Bank Limited	249,500	80,200	34,175	293,800	70,075	2,855,940	1,070,746	(1,785,194)	0.21	-	0.49
Atlas Bank Limited	26,000	-	-	26,000	-	-	-	-	-	-	-
Bank Al Habib Limited	132,736	4,200	29,544	29,500	136,980	5,002,426	3,491,620	(1,510,806)	0.67	0.02	1.59
Bank Al-Falah Limited	20,000	253,500	-	273,500	-	-	-	-	-	-	-
Bank Al-Falah Limited -Right	-	21,250	-	21,250	-	-	-	-	-	-	-
Bankislami Pakistan Limited	25,500	2,000	-	27,500	-	-	-	-	-	-	-
Bank of Punjab Limited	-	342,200	-	342,200	-	-	-	-	-	-	-
JS Bank Limited	130,154	385,500	-	347,654	168,000	1,382,725	1,013,040	(369,685)	0.19	0.03	0.46
MCB Bank Limited	-	144,500	-	144,500	-	-	-	-	-	-	-
Habib Bank Limited	-	13,000	-	13,000	-	-	-	-	-	-	-
Habib Metropolitan Bank Limited	373,324	-	83,331	40,000	416,655	9,698,045	10,337,211	639,166	1.98	0.06	4.72
My Bank Limited	97,500	-	-	97,500	-	-	-	-	-	-	-
National Bank Of Pakistan	5,000	439,800	-	362,800	82,000	5,591,618	5,496,460	(95,158)	1.06	0.01	2.51
NIB Bank Limited	201,800	165,000	-	366,800	-	-	-	-	-	-	-
Soneri Bank Limited	38,100	25,000	-	63,100	-	-	-	-	-	-	-



United Bank Limited	-	152,100	-	152,100	-	-	-	-	-	-	-
Standard Chartered Bank Limited	17,800	1,000	-	18,800	-	-	-	-	-	-	-
Insurance											
Adamjee Insurance Company Limited	-	171,400	-	171,400	-	-	-	-	-	-	-
American Life Insurance Company Limited	1,498,538	500	-	500	1,498,538	28,188,342	21,009,503	(7,178,839)	4.03	3.00	9.59
Askari General Insurance Company Limited	160,270	16,400	-	69,900	106,770	1,854,784	2,646,828	792,044	0.51	0.52	1.21
Atlas Insurance Limited	29,090	-	7,272	-	36,362	2,790,311	952,684	(1,837,627)	0.18	0.11	0.43
Beema Pakistan Company Limited	35,500	-	-	-	35,500	73,825	81,650	7,825	0.02	0.09	0.04
Central Insurance Company Limited	720	-	6	726	-	-	-	-	-	-	-
Century Insurance Company Limited	20,782	-	-	20,782	-	-	-	-	-	-	-
International General Insurance Limited	9,560	-	4,780	2,000	12,340	1,911,588	1,114,796	(796,792)	0.21	0.02	0.51
New Jubilee Life Insurance Company Limited	735,000	23,000	-	53,000	705,000	20,671,327	26,790,000	6,118,673	5.14	1.12	12.22
Pakistan Reinsurance Company Limited	27,777	120,300	-	86,600	61,477	2,829,635	2,153,539	(676,096)	0.41	0.02	0.98
Textile Weaving											
Zephyr Textile Limited	71,500	-	-	71,500	-	-	-	-	-	-	-
Textile Composite											
Nishat Mills Limited - Right	-	10,000	-	10,000	-	-	-	-	-	-	-
Azgard Nine Limited (non con.Preference Shares)	656,625	357,238	-	-	1,013,863	10,035,684	8,100,765	(1,934,919)	1.55	1.56	3.70
Azgard Nine Limited	-	20,000	-	20,000	-	-	-	-	-	-	-
Dawood Lawrencepur Limited	729	71	80	880	-	-	-	-	-	-	-
Nishat Mills Limited	11,000	135,800	-	146,800	-	-	-	-	-	-	-
Jute											
Thal Limited	-	2,000	-	2,000	-	-	-	-	-	-	-
Sugar and Allied Industries											
J.D.W. Sugar Mills Limited	99,873	-	14,230	5,000	109,103	4,434,267	4,800,532	366,265	0.92	0.25	2.19
Tandlianwala Sugar Mills Limited	141,000	73,500	-	52,500	162,000	1,998,868	1,903,500	(95,368)	0.37	0.14	0.87
Shakar Ganj Mills Limited-pref	-	400,000	-	-	400,000	4,080,000	3,960,000	(120,000)	0.76	-	1.81
Cement											
D.G.Khan Cement Limited	50,000	418,900	-	468,900	-	-	-	-	-	-	-
Fauji Cement Company Limited	731,450	205,000	-	130,500	805,950	11,952,197	5,311,211	(6,640,987)	1.02	0.12	2.42
Flying Cement Company Limited	-	75,000	-	75,000	-	-	-	-	-	-	-
Lucky Cement Company Limited	-	210,700	-	210,700	-	-	-	-	-	-	-
Maple Leaf Cement Limited	368,875	217,000	-	585,875	-	-	-	-	-	-	-
Pioneer Cement Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
D.G.Khan Cement Limited-Right	-	5,000	-	5,000	-	-	-	-	-	-	-



Refinery											
Attock Refinery Limited	-	87,400	-	87,400	-	-	-	-	-	-	
Boscor Pakistan Limited	1,289,000	185,000	-	1,159,500	314,500	5,247,196	2,188,920	(3,058,276)	0.42	0.08	1.00
National Refinery Limited	29,500	14,700	-	18,400	25,800	8,007,405	5,676,516	(2,330,889)	1.09	0.03	2.59
Pakistan Refinery Limited	11,400	15,000	-	26,400	-	-	-	-	-	-	-
Power Generation and Distribution											
Hub Power Company Limited	29,000	131,000	-	160,000	-	-	-	-	-	-	-
Southern Electric Power company Limited	-	25,000	-	25,000	-	-	-	-	-	-	-
Oil and Gas Marketing Companies											
Pakistan State Oil Company Limited	7,000	104,200	-	111,200	-	-	-	-	-	-	-
Shell Pakistan Limited	38,675	8,000	9,168	27,500	28,343	9,482,075	6,345,998	(3,136,077)	1.22	0.04	2.90
Sui Northern Gas Pipelines Limited	40,000	30,800	-	70,800	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	156,000	71,500	-	227,500	-	-	-	-	-	-	-
Oil and Gas Exploration Companies											
Mari Gas Company Limited	-	1,000	-	1,000	-	-	-	-	-	-	-
Oil and Gas Development Company Limited	133,600	737,200	-	861,800	9,000	677,119	707,760	30,641	0.14	0.00	0.32
Pakistan Oilfields Limited	10,000	411,500	-	379,900	41,600	6,183,652	6,069,440	(114,212)	1.16	0.02	2.77
Pakistan Petroleum Limited	47,500	285,600	4,000	337,100	-	-	-	-	-	-	-
Engineering											
Crescent Steel and Allied Product Limited	-	10,000	1,000	11,000	-	-	-	-	-	-	-
Dost Steels Limited	-	5,000	-	5,000	-	-	-	-	-	-	-
Automobile Assembler											
Pak Suzuki Motor Company Limited	15,000	5,700	-	20,700	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	60,000	-	60,000	-	-	-	-	-	-	-
Gandhara Nissan limited	-	64,000	-	64,000	-	-	-	-	-	-	-
Cable and Electric Goods											
Pak Electron Limited	94,725	20,000	-	114,725	-	-	-	-	-	-	-
Pakistan National Shipping Corporation	-	25,300	-	25,300	-	-	-	-	-	-	-
Technology and Communication											
Calmate Telips Telecom Limited	359,221	-	-	146,000	213,221	12,095,484	405,120	(11,690,364)	0.08	0.33	0.18
Netsol Technologies Limited	-	252,000	-	252,000	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	12,700	986,900	-	747,700	251,900	4,363,146	4,342,756	(20,390)	0.83	0.01	1.98
Telecard Limited	145,500	73,500	-	219,000	-	-	-	-	-	-	-
TRG Pakistan Limited	400,000	175,000	-	575,000	-	-	-	-	-	-	-
Worldcall Telecom Limited	59,583	95,000	-	154,583	-	-	-	-	-	-	-



Fertilizers												
Engro Chemical Pakistan Limited	113,070	660,087	-	708,777	64,380	8,479,384	8,268,323	(211,061)	1.59	0.02	3.77	
Engro Chemical Pakistan Limited - Right	9,307	22,480	-	31,787	-	-	-	-	-	-	-	
Fauji Fertilizer Company Limited	-	294,500	7,750	210,000	92,250	8,484,879	8,021,138	(463,742)	1.54	0.01	3.66	
Fauji Fertilizer Bin Qasim Limited	60,000	84,000	-	144,000	-	-	-	-	-	-	-	
Dawood Hercules Chemicals Limited	-	7,900	-	7,900	-	-	-	-	-	-	-	
Pharmaceuticals												
GlaxoSmithKline Pakistan Limited	260,257	29,700	-	30,400	259,557	27,957,320	31,097,524	3,140,204	5.97	0.15	14.19	
Hightnoon Laboratories Limited	3,000	-	-	3,000	-	-	-	-	-	-	-	
Otsuka Pakistan Limited	261,000	1,100	-	5,100	257,000	10,861,532	9,174,900	(1,686,632)	1.76	2.57	4.19	
Chemicals												
BOC Pakistan Limited	-	-	-	-	-	-	-	-	-	-	-	
Bawany Air Products Limited	58,500	10,500	-	69,000	-	-	-	-	-	-	-	
Colgate Palmolive Limited	3,281	-	820	200	3,901	483,336	1,092,280	608,944	0.21	0.02	0.50	
ICI Pakistan Limited	45,500	15,500	-	61,000	-	-	-	-	-	-	-	
Pakistan PTA Limited	539,500	225,000	-	315,000	449,500	2,444,539	1,285,570	(1,158,969)	0.25	0.03	0.59	
Sitara Peroxide Limited	-	59,500	-	59,500	-	-	-	-	-	-	-	
Engro Polymer & Chemicals Limited	-	145,500	-	85,500	60,000	1,196,088	1,149,600	(46,488)	0.22	-	0.52	
Descon Oxychem Limited	-	30,000	-	30,000	-	-	-	-	-	-	-	
Paper and Board												
Century Paper & Board Mills Limited	94,110	-	-	-	94,110	5,572,172	1,241,311	(4,330,861)	0.24	0.13	0.57	
Packages Limited	-	1,800	-	1,800	-	-	-	-	-	-	-	
Food And Personal Care Products												
Clover Pakistan Limited	14,976	-	2,995	900	17,071	946,424	990,972	44,548	0.19	0.18	0.45	
Gillette Pakistan Limited	2,200	-	-	2,200	-	-	-	-	-	-	-	
Muree Brewery Company Limited	28,234	-	2,823	-	31,057	1,708,361	2,356,916	648,555	0.45	0.24	1.08	
Nestle Pakistan Limited	9,800	5,300	-	3,400	11,700	13,153,516	12,776,166	(377,350)	2.45	0.13	5.83	
Zulfiqar Industries Limited	3,740	-	374	4,114	-	-	-	-	-	-	-	
Miscellaneous												
Cinepax Limited	50,000	-	-	50,000	-	-	-	-	-	-	-	
Ecopack Limited	1,432,635	-	-	-	1,432,635	48,039,399	8,724,747	(39,314,652)	1.67	6.24	3.98	
Pace (Pakistan) Limited	-	79,500	-	79,500	-	-	-	-	-	-	-	
Siddiquesons Tin Plate Limited	75,000	173,000	-	248,000	-	-	-	-	-	-	-	
Tri-Pack Films Limited	-	5,000	-	5,000	-	-	-	-	-	-	-	
									<u>317,457,327</u>		<u>219,179,081</u>	<u>(98,278,246)</u>



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

Name of Investee	Profit/ Mark-up Rate %	----- Number of Certificates -----				As at 30 June 2009				Market Value as percentage of Net Assets
		As at '01 July 2008	Purchases During the Year	Sales During the Year	Redemptions During the Year	As at 30 June. 2009	As at 30, June 2009	Market Value	Appreciation (Diminution)	
		----- (Rupees in) -----								
Al - Zamin Leasing										
Modaraba - II	9.50%	1,000	-	-	-	1,000	1,569,780	1,594,255	24,475	0.31%
Grays Leasing Limited	K+2.5%	1,000	-	-	100	900	3,250,000	2,275,000	(975,000)	0.44%
Escorts Investments Bank Limited	K+2.5%	1,000	-	-	-	1,000	5,141,942	4,969,631	(172,311)	0.95%
Telecard Limited	K+3.75%	3,715	-	-	-	3,715	6,378,890	8,346,153	1,969,263	1.60%
Pace Pakistan Limited	K+1.5%	2,000	-	-	-	2,000	10,125,000	8,296,680	(1,828,320)	1.59%
Trust Investment Bank Limited	K+1.85%	5,000	-	-	-	5,000	24,995,000	23,857,028	(1,137,972)	4.58%
Trakker Private Limited	K+3.5%	50	-	-	-	50	3,125,000	3,092,375	(32,625)	0.59%
New Allied Electronics										
Industries Limited	K+2.75%	-	3,417	-	-	3,417	7,089,470	-	(7,089,470)	0.00%
Optimus Limited	K+2.1%	5,000	-	-	-	5,000	25,072,483	23,874,172	(1,198,311)	4.58%
Avani Hotels Limited	K+3.5%	507	-	-	-	507	2,533,333	2,359,278	(174,055)	0.45%
Pakistan Mobile Corporation	K+1.3%	7,000	-	7,000	-	-	-	-	-	0.00%
Kohat Cement (Sukku)	K+1.8%	5,000	-	-	-	5,000	24,205,545	18,112,500	(6,093,045)	3.48%
Al - Zamin Leasing										
Modaraba - (Sukku)	K+1.9%	5,000	-	-	-	5,000	25,000,000	23,695,525	(1,304,475)	4.55%
B.R.R Guardian										
Modaraba (Sukku)	K+1.3%	5,000	-	-	-	5,000	25,000,000	23,967,750	(1,032,250)	4.60%
Amtex Limited (Sukku)	K+1.3%	-	6,000	-	-	6,000	30,000,000	26,754,240	(3,245,760)	5.14%
Maple Leaf Cement Limited	K+1.7%	-	12,110	-	-	12,110	54,501,115	54,501,115	-	10.46%
Shahmurad Sugar Mills Limited	K+2.25%	-	30	-	-	30	28,201,170	28,201,170	-	5.41%
							<u>276,186,728</u>	<u>253,896,872</u>	<u>(22,289,856)</u>	



	Note	2009 Rupees	2008 Rupees
6. PLACEMENTS			
Financial Institution	6.1	-	<u>25,000,000</u>
6.1 These are clean placements having rate of return of 11 % to 17 % (2008: 11 %) per annum.			
7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES-CONSIDERED GOOD			
Advance Tax		99,863	45,907
Security Deposits		3,550,000	3,550,000
Dividend Income		954,443	771,225
Profit on TFC's/Sukuks		11,504,797	4,255,676
Profit on Placements		-	7,584
Profit on Bank Balances		1,210,545	105,143
Receivable from Broker		-	3,375,000
Receivable from National Clearing Company of Pakistan Ltd.		8,593,446	2,634,725
Receivable from related party	7.1	500,000	-
		<u>26,413,094</u>	<u>14,745,260</u>

7.1 This represents an amount receivable from Dawood Money Market Fund managed by Dawood Capital Management Limited.

8. REMUNERATION PAYABLE TO INVESTMENT ADVISOR

The Investment Advisor 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. The Investment Advisor has decided to charge its remuneration for the current year at the rate of three percent of average daily net assets value of the Fund.

9. 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 assets value of the Fund.

10. 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 % (2008 : one tenth of one percent) of the average annual net assets value of the Fund.



11. PRELIMINARY EXPENSES PAYABLE TO INVESTMENT ADVISOR

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 30 June 2005.

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

	Note	2009 Rupees	2008 Rupees
Opening Balance		2,000,000	3,000,000
Paid During the Year		<u>(1,000,000)</u>	<u>(1,000,000)</u>
Closing Balance		<u>1,000,000</u>	<u>2,000,000</u>

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to Broker Against Purchase of Shares	5,000	5,000
Audit Fee	155,000	155,000
Income Tax Payable	23,622	23,622
Commission Payable to Broker	229,145	539,326
Other Payables	464,269	308,475
	<u>877,036</u>	<u>1,031,423</u>

13. DIVIDEND PAYABLE

Dividend Payable to Certificate Holders	13.1	<u>343,014</u>	<u>836,896</u>
---	------	----------------	----------------

13.1 This includes Rs. 309,721 in respect of dividend payable declared in the year 2007.

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully Paid Ordinary Certificates of Rs. 10/- each

2009 (Number of Certificates)	2008 (Number of Certificates)		2009 Rupees	2008 Rupees
50,000,000	50,000,000	Issued for Fully Paid in Cash	500,000,000	500,000,000
		Issued as Fully Paid Bonus Certificates		
<u>8,075,000</u>	<u>8,075,000</u>		<u>80,750,000</u>	<u>80,750,000</u>
<u>58,075,000</u>	<u>58,075,000</u>		<u>580,750,000</u>	<u>580,750,000</u>



15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

There were no contingencies as at the balance sheet date.

15.2 Commitments

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

	2009	2008
	Rupees	Rupees
16. UNREALIZED LOSS ON REVALUATION OF INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Unrealized Loss on Listed Securities	(99,808,168)	(104,713,914)
Unrealized Loss on Revaluation of Term Finance Certificates/Sukuks	(22,289,856)	(859,864)
	<u>(122,098,024)</u>	<u>(105,573,778)</u>

17. AUDITORS REMUNERATION

Annual Audit Fee		120,000	100,000
Half-Year Review		42,000	40,000
Other Certification and Service	17.1	37,000	35,000
		<u>199,000</u>	<u>175,000</u>

17.1 This includes Rs. 22,000 (2008 : Rs. 20,000) for the year ended June 30, 2008 which was not provided previously.

18. EARNINGS PER CERTIFICATE

(Loss)/Profit for the Year		<u>(219,867,882)</u>	<u>35,547,736</u>
Weighted Average Certificates Outstanding During the Year		<u>58,075,000</u>	<u>58,075,000</u>
(Loss)/Earning Per Certificate - Basic and Diluted		<u>(3.79)</u>	<u>0.61</u>



19. 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 Investment Advisor, associated companies and key management personnel and their family members.

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

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

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

	2009	2008
	Rupees	Rupees
Investment Advisor		
Balances at the Beginning of the Year	3,829,653	22,357,429
Remuneration for the Year	17,388,885	24,112,571
Reimbursement of Formation & Floatation		
Cost During the Year	(1,000,000)	(1,000,000)
Remuneration Paid During the Year	(17,929,782)	(41,640,347)
Balances at the End of the Year	<u>2,288,756</u>	<u>3,829,653</u>
Trustee		
Balances at the Beginning of the Year	87,726	88,751
Remuneration for the Year	938,634	1,117,971
Remuneration Paid During the Year	(952,937)	(1,118,996)
Balances at the End of the Year	<u>73,423</u>	<u>87,726</u>
Associated Companies		
Balance at the Beginning of the Year	25,000,000	10,000,000
Placements During the Year	32,000,000	191,000,000
Maturities/Settlement of Placements During the Year	(57,000,000)	(176,000,000)
Balance at the End of the Year	<u>-</u>	<u>25,000,000</u>

The transactions with related parties disclosed above does not include transactions carried out by the Fund relating to Continuous Funding System Transactions where the related party had acted in the capacity of a broker or intermediary and the ultimate counter party of the Fund.



20. 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.

20.1 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, 2009, the fair value of equity securities exposed to price risk were as follow: -

Held for Trading	<u>219,179,081</u>	<u>484,029,741</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.

	2009		2008	
	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value
	Rupees			
Net (Loss)/Income for the period	<u>(208,908,928)</u>	<u>(230,826,836)</u>	<u>59,749,223</u>	<u>11,346,249</u>



20.2 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, 2009				
Term Finance Certificates	77,070,317	1,594,255	-	78,664,572
Sukuk Bonds	175,232,300	-	-	175,232,300
Advance, Deposits and Other Receivables	-	-	26,413,094	26,413,094
Cash at Bank	25,577,136	-	33,138	25,610,274
As at June 30, 2008				
Term Finance Certificates	122,511,993	3,269,780	-	125,781,773
Sukuk Bonds	74,205,545	-	-	74,205,545
Placements	-	25,000,000	-	25,000,000
Advance, Deposits and Other Receivables	-	-	14,745,260	14,745,260
Cash at Bank	35,294,516	-	-	35,294,516

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.1,059,510 for the year ended June 30, 2009. 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.



20.3 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, 2009 is as follows:-

	June 30, 2009		June 30, 2008	
	Statement Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
	Rupees			
Investments	473,075,953	219,179,081	684,017,059	484,029,741
Placement	-	-	25,000,000	25,000,000
Advance, Deposits and Other Receivables	26,413,094	2,484,716	14,745,260	10,489,584
Cash and bank balances	25,610,274	25,610,274	35,294,516	35,294,516
	<u>525,099,321</u>	<u>247,274,071</u>	<u>759,056,835</u>	<u>554,813,841</u>

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

	2009	2008
	Rupees	Rupees
Term Finance Certificates	78,664,572	125,781,773
Sukuk Bonds	175,232,300	74,205,545
	<u>253,896,872</u>	<u>199,987,318</u>

20.4 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 the 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, 2009				
Remuneration Payable to Investment Advisor	1,288,756	-	-	1,288,756
Remuneration Payable to Trustee	73,423	-	-	73,423
Annual Fee Payable to Securities and Exchange Commission of Pakistan	-	532,692	-	532,692
Preliminary Expenses Payable to Investment Advisor	-	-	1,000,000	1,000,000
Creditors, Accrued and Other Liabilities	-	-	877,036	877,036
Dividend Payable	-	-	343,014	343,014

	Not later than 1 month	Between 1 and 3 months	Between 1 months to 1 year	Total
Rupees				
As at June 30, 2008				
Remuneration Payable to Investment Advisor	1,829,653	-	-	1,829,653
Remuneration Payable to Trustee	87,726	-	-	87,726
Annual Fee Payable to Securities and Exchange Commission of Pakistan	-	803,855	-	803,855
Preliminary Expenses Payable to Investment Advisor	-	-	2,000,000	2,000,000
Creditors, Accrued and Other Liabilities	-	-	1,031,423	1,031,423
Dividend Payable	-	-	836,896	836,896



20.5 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	2009				Total
		Exposed to MROR risk			Not exposed to MROR risk	
		Upto three months	More than three months and upto one year	More than one year		
Financial Assets						
Bank Balances	5 - 10	25,610,274	-	-	-	25,610,274
Investments	9.5 - 19.4	-	-	253,896,872	219,179,081	473,075,953
Placements	-	-	-	-	-	-
Advances, Deposits and Other Receivables	-	-	-	-	26,413,094	26,413,094
		25,610,274	-	253,896,872	245,592,175	525,099,321
Financial Liabilities						
Remuneration Payable to Investment Advisor	-	-	-	-	(1,288,756)	(1,288,756)
Remuneration Payable to Trustee	-	-	-	-	(73,423)	(73,423)
Annual Fee Payable to SECP	-	-	-	-	(532,692)	(532,692)
Preliminary Expenses Payable to the Investment Advisor	-	-	-	-	(1,000,000)	(1,000,000)
Creditors, Accrued and Other Liabilities	-	-	-	-	877,036	877,036
Dividend payable	-	-	-	-	(343,014)	(343,014)
		-	-	-	(2,360,849)	(2,360,849)
On-Balance Sheet Gap		25,610,274	-	253,896,872	243,231,326	522,738,472
2008						
	Effective rate (%) per annum	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	4 - 9	35,294,516	-	-	-	35,294,516
Investments	9.5 - 17.68	-	-	199,987,318	484,029,741	684,017,059
Placements	11	25,000,000	-	-	-	25,000,000
Advances, Deposits and Other Receivables	-	-	-	-	14,745,260	14,745,260
		60,294,516	-	199,987,318	498,775,001	759,056,835
Financial Liabilities						
Remuneration Payable to Investment Advisor	-	-	-	-	(1,829,653)	(1,829,653)
Remuneration Payable to Trustee	-	-	-	-	(87,726)	(87,726)
Annual Fee Payable to SECP	-	-	-	-	(803,855)	(803,855)
Preliminary Expenses Payable to the Investment Advisor	-	-	-	-	(2,000,000)	(2,000,000)
Creditors, Accrued and Other Liabilities	-	-	-	-	1,031,423	1,031,423
Dividend Payable	-	-	-	-	(836,896)	(836,896)
		-	-	-	(4,526,707)	(4,526,707)
On-Balance Sheet Gap		60,294,516	-	199,987,318	494,248,294	754,530,128



20.6 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 Investment Advisor 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. In case the Investment Advisor expects economic uncertainty the portfolio will be restructured so as to comprise of short-term debt securities and money market instruments.

21. PATTERN OF CERTIFICATE HOLDINGS

Category	No. of Certificate Holders	Certificates Held	% of Total
Individuals	755	13,319,416	22.93
Investment Companies	4	1,166,250	2.01
Joint Stock Companies	15	3,570,028	6.15
Associated Companies	3	10,969,356	18.89
Financial Institution	11	16,961,818	29.21
Modaraba Companies	3	761,160	1.31
Insurance Companies	2	185,900	0.32
Leasing Companies	2	2,428,242	4.18
Others	8	8,712,830	15.00
	<u>803</u>	<u>58,075,000</u>	<u>100.00</u>

22. 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 Investment Advisor 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.

23. ACCOUNTING ESTIMATES AND JUDGMENTS

23.1 Investments Stated at Fair Value Through Profit or Loss

The Investment Advisor 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.



23.2 Other Assets

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

24. PERFORMANCE TABLE	2009	2008	2007	2006	From 28 January 2005 to 30 June 2005
Net Asset Value (Rupees in '000,000)	521	752	775	618	505
Net (Loss)/Income (Rupees in '000,000)	(220)	36	157	113	5
Net Asset Value Per Certificate	8.97	12.96	13.34	12.24	10.10
Loss/Earning Per Certificate (Rupees) (3.79)		0.61	2.70	1.95	0.10
Dividend/Bonus Distribution (%)	-	2.00	10.00	15.00	1.00

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

Name of Brokers	Percentage of Commission
Habib Metropolitan Financial Services Limited	13.64%
Atlas Capital Markets (Pvt.) Limited	10.47%
Dawood Equities Limited	9.49%
Live Securities (Pvt.) Limited	8.34%
Shehzad Chamadia Securities (Pvt.) Limited	8.04%
Foundation Securities (Pvt.) Limited	6.43%
Noman Abid & Company Limited	6.38%
Elixir Securities Pakistan (Pvt.) Limited	6.24%
Pearl Securities (Pvt.) Limited	5.84%
Invest Capital & Securities (Pvt.) Limited	5.44%



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

Name of Member	Qualification	Experience
Miss Tara Uzra Dawood *	J.D	09 Years
Mr. Tauqir Shamshad **	MBA & M.Com	17 Years
Mr. Shahid Usman **	ACMA	13 Years
Mr. M.Saleem Munshi ***	MBA	28 Years
Mr. M.Ahmed	B . Com	17 Years
Mr. Khalid Mehmood ***	MBA and MA Economics & Finance	07 Years
Mr. Aamir Siddiqui ***	CA Part Qualified & B.Com	06 Years

* Ms.Tara Uzra Dawood left membership of Investment Committee on July 06, 2009 but the entire Investment Committee is responsible to Ms. Tara Uzra Dawood (CEO).

** Left on June 15, 2009 and December 24, 2008 respectively.

*** Appointed on December 25, 2008, July 06, 2009 respectively.

Miss Tara Uzra Dawood - Chief Executive Officer

Miss Tara Uzra Dawood has done her Doctorate of Judicial Science (J.D) from Harvard Law School, Massachusetts, USA, and Bachelor of Arts Honors (A.B) from Cornell University, New York, USA, Oxford University . She has worked for law firms in New York, Toronto, Amsterdam and California and is a specialist in mergers and acquisitions and corporate law. She is Chief Executive Officer of Dawood Capital Management Limited.

Mr. M. Saleem Munshi - Chief Financial Officer

Mr. Muhammad Saleem Munshi is Master in Business Administration (Finance). He is one of the founder member of first perpetual Modaraba of Pakistan i.e. B.R.R. Guardian Modaraba (BRRGM) and has been associated with the Modaraba from 1983 till 2008 which covers 25 years experience. He specializes in Islamic mode of financing i.e. Ijara, Musharaka, Morabaha and other related transactions. His core responsibilities include Financial Management & Reporting, Taxation, Finalization of Accounts and Budgeting etc.

Mr. M.Ahmed - Fund Manager Equity

Mr. M. Ahmed has over 17 years of experience with the financial markets. He is responsible for managing the equity portfolio. His expertise includes hedging / arbitrage of shares, communications with various brokers, coordination with treasury department for pledging and releasing of shares, managing settlement and payment of shares of NCSS, T+2, T+1 and future counters, assessing and analyzing of the annual reports of companies.



Mr. Khalid Mahmood - Fund Manager Debt

Mr. Khalid Mahmood has over 7 years experience in the financial markets. He has served with institutions such as National Bank of Pakistan, where he held the position of an Assistant Portfolio Manager (Equity) and Technical & Investment Analyst in Atlas Asset Management. He is a Masters of Business administration (MBA) and Masters of Economics & Finance (MEF) from Karachi University. He is also enrolled for Chartered Financial Analyst (CFA) from CFA Institute, USA.

Mr. Muhammad Aamir Siddiqui - Head of Compliance & Risk Management

Mr. Muhammad Aamir Siddiqui is Chartered Accountant – Intermediate of Institute of Chartered Accountants of Pakistan. He has also completed his Bachelors of Commerce from Balochistan University. He has completed four years as audit trainee with M.Yousuf Adil Saleem and Co., Chartered Accountants, member firm of Deloitte Touché Tohmatsu in the Audit & Assurance department. His areas of expertise include Corporate Affairs, Non-Banking Financial Companies and Notified Entities, Code of Corporate Governance, Risk Management of Debt and Equity Portfolios.

27. PARTICULARS OF FUND MANAGER

Name of Fund Manager	Qualification	Names of Other Funds Managed
Mr. M. Ahmad	B . Com	Dawood Money Market Fund Dawood Islamic Fund
Mr. Tauqir Shamshad *	MBA & M . Com	Dawood Money Market Fund Dawood Islamic Fund
Mr. Khalid Mehmood **	MBA & MA Economics & Finance	Dawood Money Market Fund Dawood Islamic Fund

* Left on June 15, 2009

** Appointed on July 01, 2009

28. FUNDS RATING

The Management Company has been rated at AM4+ by PACRA through letter dated January 14, 2009.

The Fund has been rated at 2 Star by PACRA through letter dated December 31, 2008.



29. ATTENDANCE OF MEETING OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Name of Director	Held	Attended	Leave Granted
Mr. Feroze Sayeed-ud-Deane	7	6	1
Miss Tara Uzra Dawood	7	6	1
Mr. Gul Nawaz*	7	3	2
AVM (Retired) Zulfiqar Ahmed Shah	7	7	0
Mr. Anwar A. Shaikh*	7	1	4
Mr. Nazimuddin Feroz	7	0	7
Mr. Iftikhar Hussain	7	6	1
AVM (Retired) Syed Javed Raza** (Subject to SECP approval)	7	0	2
Mr. Jamal Naseem (Subject to SECP approval)	7	0	2

* Resigned during the year

** Appointed during the year

30. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Investment Advisor has decided not to distribute any dividend to the Certificate holders for the year as compared to cash dividend at 2% last year.

31. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on September 15, 2009 by the Board of Directors of the Investment Advisor.



32. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However no significant reclassification has been made except for the following:

From	To	Amount (Rupees)	Reason
Creditors, Accrued and Other Liabilities	Dividend payable	836,896	Disclosure Requirement

33. GENERAL

Figures have been rounded off to nearest rupee.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR



PATTERN OF CERTIFICATE HOLDING JUNE 30, 2009			
No. of Certificate Holders	Certificate Holding		Total Certificate Held
	From	To	
103	1	100	3,697
60	101	500	20,837
172	501	1,000	119,631
203	1,001	5,000	581,551
85	5,001	10,000	687,860
28	10,001	15,000	358,151
25	15,001	20,000	470,175
21	20,001	25,000	504,000
6	25,001	30,000	169,000
4	30,001	35,000	132,500
6	35,001	40,000	230,783
5	40,001	45,000	210,200
8	45,001	50,000	399,425
3	50,001	55,000	162,000
7	55,001	60,000	408,725
2	60,001	65,000	121,525
2	65,001	70,000	139,750
5	70,001	75,000	365,500
3	75,001	80,000	228,125
2	80,001	85,000	165,650
3	85,001	90,000	262,124
1	90,001	95,000	90,900
3	95,001	100,000	299,000
1	100,001	105,000	100,500
1	105,001	110,000	109,000
3	115,001	120,000	347,800
3	120,001	125,000	371,000
1	130,001	135,000	134,000
1	140,001	145,000	144,000
2	145,001	150,000	296,000
1	150,001	160,000	155,825
1	175,001	180,000	178,000
1	185,001	190,000	188,500
1	245,001	250,000	250,000
1	260,001	265,000	263,500
1	410,001	415,000	411,500
1	425,001	430,000	427,800
1	490,001	495,000	490,775
5	580,001	585,000	2,903,750
1	755,001	760,000	760,000
1	810,001	815,000	814,469
1	815,001	820,000	816,500
1	1,040,001	1,045,000	1,040,750
1	1,045,001	1,050,000	1,046,281
1	1,130,001	1,135,000	1,130,150
3	1,160,001	1,165,000	3,484,500
1	1,185,001	1,190,000	1,185,100
1	1,455,001	1,460,000	1,455,100
1	1,545,001	1,550,000	1,546,075
1	1,610,001	1,615,000	1,613,773
1	1,740,001	1,745,000	1,742,250
1	2,220,001	2,225,000	2,224,000
1	2,880,001	2,885,000	2,884,250
1	3,480,001	3,485,000	3,484,500
1	3,515,001	3,520,000	3,519,809
1	3,550,001	3,555,000	3,554,550
1	5,260,001	5,265,000	5,262,059
1	7,605,001	7,610,000	7,607,825
803			58,075,000



CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2009

Categories of Certificate Holders

Particulars	Number of Share Holders	Total Share Held	Percentage %
Individuals	755	13,319,416	22.93
Investment Companies	4	1,166,250	2.01
Joint Stock Companies	15	3,570,028	6.15
Associated Companies	3	10,969,356	18.89
Financial Institution	11	16,961,818	29.21
Modaraba Companies	3	761,160	1.31
Insurance Companies	2	185,900	0.32
Leasing Companies	2	2,428,242	4.18
Others	8	8,712,830	15.00
	803	58,075,000	100.00

PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30, 2009

S. No.	Certificateholders	Numbers	Certificates Held	Percentage %
1	Associated Companies	3	10,969,356	18.89
	B.R.R. Guardian Modaraba		1,046,281	1.80
	Dawood Capital Management Limited		8,792,925	15.14
	First Dawood Investment Bank Limited		1,130,150	1.95
2	Directors, CEO and their Spouses and Minor Children			
	Miss Tara Uzra Dawood		11,615	0.02
3	Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	45	33,766,648	58.14
4	Certificate Holders holding ten percent or more in the Company			
	Dawood Capital Management Limited		8,792,925	15.14