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CORPORATE INFORMATION

Management Company, Registered Office and Share Registrar	Dawood Capital Management Limited (formerly Pakistan Venture Capital Limited) 1500-A Saima Trade Towers, I. I. Chundrigar Road, Karachi 74000 UAN: 111-DAWOOD (111-329-663) PABX: (92-21) 227-1874/887 Fax: (92-21) 227-1912 E-mail: dcm@firstdawood.com Website: www.firstdawood.com/dcm		
Board of Directors of Management Company	Mr. Rafique Dawood	Chairman	(Nominee of FDIB)
	Miss Tara Uzra Dawood	Chief Executive Officer	
	Mr. Hasib Ahmed	Director	(Nominee of ADB)
	Mr. Safdar Rashid	Director	(Nominee of BRR)
	Mr. Muhammad Abdul Samad	Director	(Nominee of NIT)
	Mr. Anwar A. Sheikh	Director	
	Mr. Shah Faisal	Director	
CFO & Company Secretary	Mr. Muhammad Shoaib		
Audit Committee	Mr. Anwar A. Sheikh	Chairman	
	Miss Tara Uzra Dawood	Member	
	Mr. Shah Faisal	Member	
Trustee	Central Depository Company of Pakistan 8th Floor Karachi Stock Exchange Karachi Stock Exchange Building Karachi		
Auditors	Taseer Hadi Khalid & Co Chartered Accountants First Floor Sheikh Sultan Trust Building No.2, Beaumont Road Karachi-75530		
Tax Adviser	Anjum Asim Shahid Rahman 3rd Floor Modern Motors House Beaumont Road, Karachi		
Legal Adviser	Bawaney & Partners 404, 4th Floor, Beaumont Plaza 6-cl-10 Beaumont Road, Karachi		
Banker	Metropolitan Bank Ltd		



Vision Statement

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



Mission Statement

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

On behalf of the Board of Directors of Dawood Capital Management Limited (the Company), the Management Company of First Dawood Mutual Fund ('FDMF' or the 'Fund'), it gives me immense pleasure to present the First Annual Report of the Fund along with the Audited Financial Statements, and Auditors' Report to the certificate holders for the year ended June 30, 2005.

Fund Performance

Your Company's prudent investment strategy has enabled the Fund to post a reasonable performance during period from March 23, 2005 to June 30, 2005. The Board of Directors of the Management Company has declared a bonus dividend of 1% for the year ended June 30, 2005.

Earnings Per Unit

Earnings per certificate for the period from March 23, 2005 to June 30, 2005 are Rs 0.10 per unit (annualized Rs.0.40 per Unit approx).

Taxation

The income of FDMF will not be subject to income tax under Clause 99 of the Part 1 of the 2nd Schedule of the Income Tax Ordinance 2001 because FDMF is distributing more than 90% of its income for the year, excluding realized and unrealized capital gains

Initial Public Offering

The certificates of FDMF were offered for public subscription during the initial public offer from March 21, 2005 and March 22, 2005 at par value of Rs. 10/- per certificate.

Investing Activities/Strategy

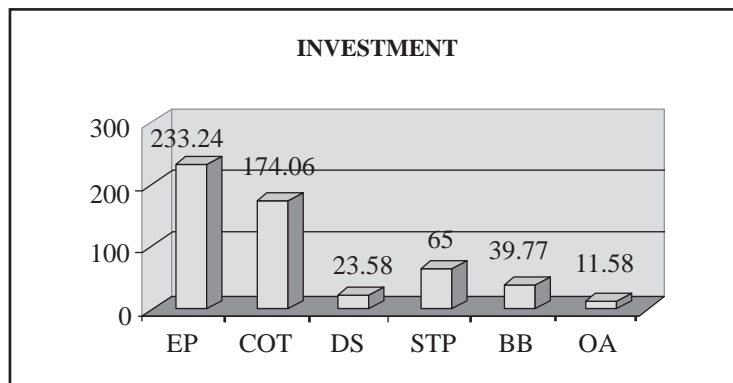
FDMF commenced its investing activities on March 24, 2005 after its initial public offer from March 21, 2005 and March 22, 2005. The Fund received its full disbursement of subscription on April 23, 2005.

The Fund was launched at a time when interest rates were already under pressure and the KSE 100 index was very volatile, thus the investment strategy of the Fund has been to invest a major portion in short-term investments such as carry-over transactions and other short-term placements. The investment policy devised for FDMF aims to provide investors with a balanced exposure to debt instruments and equity instruments.

This prudent investment strategy of the Fund has proven successful especially as the KSE Index dropped from 10,303 to 7,450 a loss of 27.69% as at June 30, 2005. However, the fund due to conservative approach made a net profit of Rs. 5 million during this period after expense out of Rs 5 million against preliminary expenses & formation cost and Rs. 6 million against unrealized loss on revaluation of investment.



On June 30, 2005 the Fund has made investment of Rs. 233 million mostly in blue chip scrips representing 43% of net asset value. Major emphasis in building the portfolio was to accumulate those scrips which are under-priced and have huge growth potentials. Major sector-wise weightages of the portfolio are Banks and Financial Institutions 28%, Chemicals and Pharmaceuticals 8%, Textiles 5%, Oil & Gas sector 25% break up of total assets of the Fund are follows:



(Rupees in Million)

- EP = Equity Portfolio
- COT = Carry-Over Transaction
- DS = Debt Securities
- STP = Short-Term Placements
- BB = Bank Balance
- OA = Other Assets

Economy

Although the economy is showing very strong indications, but the Stock Market continue to remain very volatile. However, the continued foreign investors' interest and a consistent increase in the business volumes creates a healthy atmosphere. Simultaneously, the increasing interest rates, the rise in international oil price vis-à-vis the inflationary pressures suggest that this is the time to consolidate.

The fiscal year 2005 witnessed strong economic growth with the GDP growth of 8.4%. A higher than targeted GDP growth rate and a sharp acceleration in manufacturing growth of 12.5%. This is made by a record growth of 15.4% in large scale manufacturing.

Good governance, diligent fiscal management and steps to boost investor confidence contributed largely to this record performance resulting in credit to Private Sector went up to Rs. 370 billion. Tax collections of Rs. 581 billion exceeded the target.

Market Outlook and Prospects

The stock market remained volatile in the second quarter of the calendar year and it received a heavy battering after touching its peak on March 16, 2005 i.e. 10,303, and since then it has moved down drastically losing more than 3300 points. The factors contributing to this were: futures contracts, margin rules, phasing out



of the badla system and increasing interest rates. However, due to the downward trend of the market, shares of all companies lost value resulting in the portfolio facing diminution which we consider a temporary phase.

Nonetheless, we expect that the Stock Exchange will continue to attract incremental investment both from local as well as foreign investors. It is also anticipated that the proposed privatization of Pakistan State Oil (PSO), Pakistan Petroleum Limited, Pakistan Steel and State Life Insurance will positively contribute towards the stock performance. The recent privatization of 'PTCL' to Etisalat for US \$ 2.6 billion has already started sending positive vibes. Keeping in view the constantly improving regulatory environment of the capital markets, new reforms by the government and other indicators such as increase in foreign exchange reserves and stable US \$ - PKR Parity, we foresee that the stock market would continue to offer better returns to the investors.

Compliance with the Best Practices of the Code of Corporate Governance

FDMF 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 and cash flows.
- 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.
- Relevant 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.

Changes in Directors

Mir Muhammad Ali, Nominee Director of Asian Development Bank has resigned and Mr. Hasib Ahmed has been nominated in place of Mir Muhammad Ali as a representative of the ADB.

Currently, the Company has seven Directors on its Board.



Board of Directors Meetings

During the year 2004-05 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. Rafique Dawood	Chairman	7	-
2.	Miss Tara Uzra Dawood	Chief Executive	7	-
3.	Mr. Safdar Rashid	Director	7	2
4.	Mr. Anwar A. Sheikh	Director	7	1
5.	Mir Muhammad Ali	Director	7	1
6.	Mr. M. Abdul Samad	Director	7	4
7.	Mr. Shah Faisal	Director	7	-

Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of following directors:

Mr. Anwar A. Sheikh	Chairman
Miss Tara Uzra Dawood	Member
Mr. Shah Faisal	Member

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

Auditors

The present Auditor, Taseer Hadi Khalid & Co, Chartered Accountants are due for retirement and being eligible, offer themselves for re-appointment. As required under the Code of Corporate Governance the Audit Committee of Management Company has recommended the appointment of Taseer Hadi Khalid & Co, Chartered Accountant as auditors for the year ending June 30, 2006.

Risk Management

The growing portfolio of products and services is exposed to varying degrees of risk, including credit risk, market risk, liquidity risk and interest rate risk, which reinforce the need for a proactive and effective risk management operation. The Fund's guidelines on operative policy and the Prudential Regulations for NBFC issued by the Securities & Exchange Commission of Pakistan are being implemented in full.

FD MF believes in maintaining a balance between profitability and portfolio risk.

The Fund manages interest rate risk by matching the balancing of assets and liabilities.



FDMF also manages liquidity risk by matching the availability of liquid funds before committing for liabilities and also on a timely basis conducts an analysis of liquid funds with maturities of liabilities due.

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

Complete computer environment and information technology-based dependence has been the hallmark of your Company's policy. To meet current and anticipated future needs, your Fund is continuously upgrading computer hardware and software.

Pattern of Certificate Holders as on June 30, 2005

The pattern of certificate holders as on June 30, 2005 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

I would like to take the opportunity to extend my sincere appreciation to the Board of Directors for their support, co-operation and invaluable contributions.

On their behalf, I extend our deepest gratitude to our business associates, bankers and the Securities & Exchange Commission of Pakistan for their continuing guidance, support and encouragement and our certificate holders for their confidence in our management.

Our success is a result of the concerted and continued effort and contribution of the Board, the management team and the staff. I am grateful for the tireless commitment and contributions of our employees.

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

For and on behalf of the Board,

Karachi
Date: September 06, 2005

Rafique Dawood
Chairman



REPORT OF THE TRUSTEE

Report of the Trustee Pursuant to the Rule 45(g) of The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

The First Dawood Mutual Fund, a closed-end scheme was established under a trust deed executed between Dawood Capital Management Limited as Investment Adviser and Central Depository Company of Pakistan Limited as Trustee on December 08, 2004. The Scheme was authorized by Securities and Exchange Commission of Pakistan on January 28, 2005

In our opinion, Dawood Capital Management Limited, Investment Adviser of First Dawood Mutual Fund has in all material respects managed First Dawood Mutual Fund during the period January 28, 2005 to June 30, 2005 in accordance with the provisions of the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Date : September 06, 2005
Karachi

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



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE & BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2005.

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

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes five (5) independent non-executive directors. This means 71.43% of the directors of the board are independent non-executive directors.
2. The directors of the Company 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 tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. A casual vacancy occurred in the Board of the Company, was filled up by the directors within 30 days thereof.
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 of the Management Company has adopted a vision/mission statement of the Fund and all the overall corporate strategy of the Company and have 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 of the Company have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board of the Company were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.



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9. The Directors of the Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, NBFCs Rules, 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 Articles of Association and of their duties and responsibilities. Directors have also attended talks and seminars on the subject of Corporate Governance.
 10. The Board of Directors of the Company has approved the appointment of the Chief Financial Officer, Company Secretary and Internal Auditor including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
 11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
 12. Financial Statements for the year ended June 30, 2005 presented to the Board for consideration and approval, were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer.
 13. The Directors, Chief Executive Officer and executives of the Company do not hold any interest in the certificates of the Fund other than that disclosed in the pattern of shareholding.
 14. The Company has complied with all the corporate and financial reporting requirements of the Code.
 15. The Board of the Company has formed an Audit Committee. It comprises 3 members, of whom 2 are Non-Executive Directors, including the Chairman of the committee.
 16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund and as required by the code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
 17. The Board of the Company has appointed Anjum Asim Shahid & Co. Chartered Accountants, as Internal Auditors of the Fund and has also approved their terms and conditions. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund 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 (ICAP), 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 ICAP.
 19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 20. We confirm that all other material principles contained in the Code have been complied.



**B. Statement of Compliance with the Best Practices on Transfer Pricing
(As Required by the Listing Regulations)**

The Fund has fully complied with the Best Practices on Transfer Pricing as contained in the Listing Regulation of the Karachi Stock Exchange.

Date : September 06, 2005

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

**Tara Uzra Dawood
Chief Executive Officer**



Taseer Hadi Khalid & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi 75530 Pakistan

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Fax + 92 (21) 568 5095
Internet www.kpmg.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 Director of Dawood Capital Management Limited, the Investment Adviser 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 Director of the Investment Adviser of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Investment Adviser's personnel and review of various document prepared by the Investmnet Adviser to Comply with the Code.

As part of our audit of financial statement 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statment on internal control covers all controls and the effectiveness of such internal controls.

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 period ended 30 June 2005.

Karachi :

Date : September 06, 2005

Taseer Hadi Khalid & Co.
Chartered Accountants



Taseer Hadi Khalid & Co.
Chartered Accountants
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Sheikh Sultan Trust Building No. 2,
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Karachi 75530 Pakistan

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Internet www.kpmg.com.pk

AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Statement of Assets and Liabilities of First Dawood Mutual Fund as at 30 June 2005 and the related income statement, distribution statement, cash flow statement and statement of movement in equity and reserves together with the notes forming part thereof (here-in-after referred to as the "financial statements"), for the period from 28 January 2005 to 30 June 2005 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Investment Adviser (Dawood Capital Management Limited (formerly Pakistan Venture Capital Limited)) to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of accounts have been kept by the Investment Adviser in respect of First Dawood Mutual Fund as required by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- b) in our opinion, the statement of assets and liabilities, the income statement, distribution statement, cash flow statement and statement of movement in equity and reserves, together with notes thereon have been drawn up in conformity with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and are in agreement with the books of account and are further in accordance with accounting policies stated therein;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, the income statement, distribution statement, cash flow statement and statement of movement in equity and reserves, together with the notes forming part thereof, give the information required by the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rule, 2003 and approved accounting standards as applicable in Pakistan, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June 2005 and of the transactions of the Fund for the period from 28 January 2005 to 30 June 2005.

Karachi :

Date : September 06, 2005

Taseer Hadi Khalid & Co.
Chartered Accountants



**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2005**

	Note	2005 (Rupees)
ASSETS		
Bank Balances - Current Account - Remunerative		39,767,384
Receivable against Carry-Over Transactions		174,063,215
Investments	4	256,813,352
Placements	5	65,000,000
Other Receivables	6	11,583,174
Total Assets		547,227,125
LIABILITIES		
Remuneration Payable to Management Company	7	4,797,078
Remuneration Payable to Trustee	8	73,035
Annual Fee Payable to Securities and Exchange Commission of Pakistan	9	162,796
Preliminary Expenses Payable to Management Company	10	5,000,000
Creditors, Accrued and Other Liabilities	11	32,194,216
Total Liabilities		42,227,125
Net Asset		505,000,000
Certificate Holders' Equity		
Issued, Subscribed and Paid-up Capital		
50,000,000 Ordinary Certificates of Rs.10 each issued as fully paid up in cash		500,000,000
Reserve for Issue of Bonus Certificates		5,000,000
		505,000,000

The annexed notes 1 to 20 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Formerly Pakistan Venture Capital Limited)
(Management Company)

Tara Uzra Dawood
Chief Executive Officer

Anwar A. Sheikh
Director

Muhammad Abdul Samad
Director

For and on behalf of Central Depository Company Limited (Trustee)

Mohammad Hanif Jakhura
Trustee



**INCOME STATEMENT
FOR THE PERIOD FROM 28 JANUARY 2005 TO 30 JUNE 2005**

	Note	2005 (Rupees)
INCOME		
Capital Gain on Sale of Investments		2,462,859
Income from Carry-Over Transactions	12	15,166,181
Income from Term Finance Certificates		341,435
Income from Certificate of Deposits/Placements		4,240,851
Dividend Income		982,625
Profit on Bank Balances		1,467,498
		24,661,449
Unrealised Loss on Revaluation of Investments Classified as 'Held For Trading'		(5,633,622)
Unrealised Loss on Revaluation of Forward Contract		(408,000)
Total Income		18,619,827
EXPENSES		
Remuneration to Management Company	7	4,797,078
Remuneration to Trustee	8	288,035
Annual Fee to Securities and Exchange Commission of Pakistan		162,796
Brokerage and Settlement Charges		2,705,314
Fee and Subscription		553,104
Auditors' Remuneration	13	82,500
Legal and Professional		31,000
Preliminary Expenses and Formation Cost		5,000,000
Total Expenses		13,619,827
Net Income for the Period to be Carried Forward for Distribution		5,000,000
Earnings Per Certificate - Basic and Diluted		
Earnings Per Certificate		0.10

The annexed notes 1 to 20 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Formerly Pakistan Venture Capital Limited)
(Management Company)

Tara Uzra Dawood
Chief Executive Officer

Anwar A. Sheikh
Director

Muhammad Abdul Samad
Director

For and on behalf of Central Depository Company Limited (Trustee)

Mohammad Hanif Jakhura
Trustee



**DISTRIBUTION STATEMENT
FOR THE PERIOD FROM 28 JANUARY 2005 TO 30 JUNE 2005**

	2005 (Rupees)
Unappropriated Income Brought Forward	-
Net Income for the Period	<u>5,000,000</u>
Transfer to Reserve for Issue of Bonus Certificates	<u>5,000,000</u>
Unappropriated Income Carried Forward	<u><u>-</u></u>

The annexed notes 1 to 20 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Formerly Pakistan Venture Capital Limited)
(Management Company)

Tara Uzra Dawood
Chief Executive Officer

Anwar A. Sheikh
Director

Muhammad Abdul Samad
Director

For and on behalf of Central Depository Company Limited (Trustee)

Mohammad Hanif Jakhura
Trustee



**STATEMENT OF MOVEMENT IN EQUITY AND RESERVE
FOR THE PERIOD FROM 28 JANUARY 2005 TO 30 JUNE 2005**

	2005 (Rupees)
Face Value of Certificate	10.00
Capital Gain on Trading of Shares	0.05
Income from Carry-Over Transactions	0.30
Income from Term Finance Certificates	0.01
Income from Certificate of Deposits/Placements	0.08
Dividend Income	0.02
Profit on Bank Balances	0.03
Other Net Operating Expenses	(0.27)
	<hr/> 10.22
Unrealised Loss on Revaluation of Investments Classified as "Held For Trading"	(0.11)
Unrealised Loss on Revaluation of Forward Contract	(0.01)
	<hr/> <hr/> 10.10

The annexed notes 1 to 20 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Formerly Pakistan Venture Capital Limited)
(Management Company)

Tara Uzra Dawood
Chief Executive Officer

Anwar A. Sheikh
Director

Muhammad Abdul Samad
Director

For and on behalf of Central Depository Company Limited (Trustee)

Mohammad Hanif Jakhura
Trustee



**CASH FLOW STATEMENT
FOR THE PERIOD FROM 28 JANUARY 2005 TO 30 JUNE 2005**

	30 June 2005 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES	
Profit for the Period	5,000,000
Adjustment for:	
Unrealized Loss on Revaluation of Investments Classified as 'Held for Trading'	5,633,622
Unrealized Loss on Revaluation of Forward Contract	408,000
Amortisation of Preliminary Expenses and Floatation Costs	5,000,000
	16,041,622
Investments (net)	(262,854,974)
Placements	(65,000,000)
Receivable Against Carry-Over Transactions	(174,063,215)
Other Receivables	(11,583,174)
Remuneration to Management Company	4,797,078
Remuneration to Trustee	288,035
Annual fee to Securities and Exchange Commission of Pakistan	162,796
Creditors, Accrued and Other Liabilities	32,194,216
Cash Generated from Operations	(460,017,616)
Remuneration Paid to Trustee	(215,000)
Net cash outflow from operating activities	(460,232,616)
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of Certificates of the Fund	500,000,000
Net Increase in Cash and Cash Equivalents	39,767,384
Cash and Cash Equivalents at the Beginning of the Period	-
Cash and Cash Equivalents as at 30 June 2005	39,767,384

The annexed notes 1 to 20 form an integral part of these financial statements.

For and on behalf of Dawood Capital Management Limited
(Formerly Pakistan Venture Capital Limited)
(Management Company)

Tara Uzra Dawood
Chief Executive Officer

Anwar A. Sheikh
Director

Muhammad Abdul Samad
Director

For and on behalf of Central Depository Company Limited (Trustee)

Mohammad Hanif Jakhura
Trustee



NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 JANUARY 2005 TO 30 JUNE 2005

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 January 28, 2005. It has been established under Trust Deed, dated December 08, 2004, between Dawood Capital Management Limited (formerly Pakistan Venture Capital Limited) as the Investment Adviser, a listed Company incorporated under the Companies Ordinance, 1984 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. FDMF started investing activities from 25 February 2005.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment & Regulation) Rules 2003 (NBFC Rules); 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 Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, NBFC Rules or the directives issued by SECP differ with the requirements of these standards, the requirements of Trust Deed, NBFC Rules and the said directives take precedence.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

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.

3.2 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+3' purchase and sales are recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sale the assets.

The Investment Adviser determined the appropriate classification of investments in accordance with the requirements of IAS 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. As at 30 June 2005, investments of the Fund are categorized as follows:



Held for trading

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in prices are classified as 'held for trading'. These investments are marked to market, using the closing market rates at the end of each day and are carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on changes in fair values of these investments based on the quoted market rates ruling at the day-end are taken to Income Statement.

The Fund enters into certain transactions involving sale of securities in the future market. These forward sale of securities in the futures market are treated as separate 'derivative' transactions, as defined in IAS 39, and carried at their fair value and gains/ losses arising on revaluation are taken to the 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 revalued to fair value. Net gains and losses arising on changes in fair values of these investments based on the quoted market rates ruling at the day-end are taken to equity.

3.3 Securities under repurchases/resale agreements - cost

Securities purchased under an agreement to resell (reverse repo) are included as receivable against carry over transactions at the fair value of the consideration given. Securities sold, subject to a repurchase agreement (repo) are retained in the Statements of Assets and Liabilities as investments and the counterparty liability is included as payable against carry-over transactions. All carry-over transactions are accounted for on the settlement date. The difference between the purchase price and sale price is treated as income/(expense) from carry-over transactions in the Income Statement and is recognized over the term of the respective transactions.

3.4 Derivatives

Derivatives instruments held by the Fund generally comprise of future contracts in the capital market. These are initially recognized at cost and are subsequently remeasured at their fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contracts. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the Statement of Assets and Liabilities. The resultant gains and losses are included in the income currently.

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 hedge accounting is not used by the Fund.



3.5 Financial assets and liabilities

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and liabilities. All the financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income statement.

3.6 Offsetting of financial instruments

Financial assets and financial 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 liability simultaneously.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances.

3.8 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 realised or unrealised, is distributed amongst its certificate holders. Accordingly, no tax liability has been recorded for the current period.

The Fund provides for deferred taxation using the balance sheet liability methods 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 unutilised 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 capital gains, whether realised or unrealised, to its certificate holders every year.

3.9 Revenue recognition

Realised capital gains/(losses) arising on sale of investments are included in the Income Statement in the period in which they arise.

Unrealised capital gains/(losses) arising on marking to market of investments classified as 'held for trading' are included in the Income Statement in the period in which they arise.

Dividend income is recognized on the date of book closure of the Investee Company/Institution declaring the dividend.

Income on government securities and Term Finance Certificates is recognized at effective yield on time proportionate basis.



Profit on bank deposits and other similar instruments are recognized on an accrual basis.

3.10 Earning per certificate

Earning per certificate is calculated by dividing the net income for the period by the weighted average number of certificates outstanding during the period.

3.11 Transaction with connected person

Transaction between the Fund and its connected persons as defined in NBFC Rules, are carried out on an arm's length basis. The relevant rates are determined in accordance with the "Comparable Uncontrolled Price Method".

Transactions with connected persons have been disclosed in note 14 to these financial statements.

4. INVESTMENTS

		2005 (Rupees)
Held For Trading		
Listed Marketable Securities	4.1	233,238,352
Available For Sale		
Term Finance Certificates	4.2	<u>23,575,000</u>
		<u>256,813,352</u>



4.1 Investment in Marketable Securities – Held For Trading

Sector	Scripts	Purchase Bonus	Sold	Closing	Purchase Rate	Cost	Market Value	Appreciation (Diminution)	Percentage in relation to			
									-----Rupees-----	Net assets of the Fund (with market value of investment)	Paid Up capital of investee Company (with face value of investment)	Total market value (carrying value of investment)
CLOSE END MUTUAL FUNDS												
	PICIC Growth Fund	45,000	-	45,000	-	-	-	-	-	-	-	-
	Pakistan Capital Market Fund	10,000	-	-	10,000	12.85	128,500	119,500	(9,000)	0.02%	0.01%	0.05%
MODARABAS												
	First Equity Modaraba	5,500	-	-	5,500	15.96	87,775	74,525	(13,250)	0.01%	0.01%	0.03%
LEASING COMPANIES												
	Saudi Pak Leasing Company	2,500	-	-	2,500	12.8	32,000	35,000	3,000	0.01%	0.01%	0.02%
INVESTMENT BANKS/COMPANIES												
	Arif Habib Securities	20,000	-	-	20,000	367.9	7,358,000	7,320,000	(38,000)	1.45%	0.10%	3.14%
	First National Equities	50,000	-	-	50,000	23.89	1,194,600	902,500	(292,100)	0.18%	0.10%	0.39%
	First Dawood Investment Bank	8,500	-	8,500	-	-	-	-	-	-	-	-
	Jawed Omer Vohra & Company	10,000	-	-	10,000	270	2,700,000	2,671,000	(29,000)	0.53%	0.05%	1.15%
	Jahangir Siddiqui & Company	81,600	-	-	81,600	34.76	2,836,010	2,378,640	(457,370)	0.47%	0.10%	1.02%
	Pakistan Industrial Credit & Investment Corporation	179,100	-	3,000	176,100	76.54	13,477,949	12,327,000	(1,150,949)	2.44%	0.08%	5.29%
COMMERCIAL BANKS												
	Askari Commercial Bank	25,000	-	-	25,000	88.95	2,223,750	1,950,000	(273,750)	0.39%	0.02%	0.84%
	Bank Al Habib	13,500	-	-	13,500	40.33	544,450	583,875	39,425	0.12%	0.01%	0.25%
	Bank Alfalah	43,000	-	15,000	28,000	46.45	1,300,729	1,141,000	(159,729)	0.23%	0.01%	0.49%
	Bank of Punjab	220,500	-	68,500	152,000	78.48	11,928,306	12,730,000	801,694	2.52%	0.08%	5.46%
	Faysal Bank	29,500	-	10,000	19,500	49.01	955,632	1,049,100	93,468	0.21%	0.01%	0.45%
	Muslim Commercial Bank	84,100	-	32,500	51,600	70.02	3,613,140	4,091,880	478,740	0.81%	0.01%	1.75%
	Metropolitan Bank	73,000	-	-	73,000	51.81	3,781,825	4,380,000	598,175	0.87%	0.05%	1.88%
	National Bank of Pakistan	221,900	6,000	98,000	129,900	98.73	12,825,610	14,022,705	1,197,095	2.78%	0.02%	6.01%
INSURANCE												
	Adamjee Insurance Company	10,000	-	-	10,000	67.4	674,000	667,500	(6,500)	0.13%	0.01%	0.29%
	Askari General Insurance Company	18,000	-	-	18,000	24.62	443,200	502,200	59,000	0.10%	0.18%	0.22%
	Century Insurance Company	2,000	200	-	2,200	33.34	73,350	80,740	7,390	0.02%	0.01%	0.03%
	International General Insurance Company of Pakistan	1,100	-	-	1,100	201.69	221,855	220,000	(1,855)	0.04%	0.01%	0.09%
	New Jubilee Life Insurance Company	10,000	-	-	10,000	24.41	244,050	212,500	(31,550)	0.04%	0.02%	0.09%
TEXTILE COMPOSITE												
	Azgard Nine Limited (Preference)	1,000,000	-	-	1,000,000	10.5	10,500,000	11,500,000	1,000,000	2.28%	1.15%	4.93%
	Gul Ahmed Textile Mills	7,200	-	-	7,200	72.55	522,360	400,320	(122,040)	0.08%	0.02%	0.17%
	Nishat Mills	30,000	-	30,000	-	-	-	-	-	-	-	-
	Nishat Chumian	1,800	-	-	1,800	87.99	158,390	171,180	12,790	0.03%	0.00%	0.07%
	Reliance Weaving Mills	2,500	-	-	2,500	26.5	66,250	67,625	1,375	0.01%	0.01%	0.03%



SYNTHETIC & RAYON											
Dewan Salman Fibre	135,500	-	3,000	132,500	22.58	2,991,860	2,232,625	(759,235)	0.44%	0.04%	0.96%
CEMENT											
D.G.Khan Cement Company	130,000	-	90,000	40,000	59.66	2,386,389	2,230,000	(156,389)	0.44%	0.02%	0.96%
Lucky Cement	5,000	-	-	5,000	47	235,000	227,500	(7,500)	0.05%	0.00%	0.10%
Maple Leaf Cement Factory	25,000	-	5,000	20,000	26.83	536,660	436,000	(100,660)	0.09%	0.01%	0.19%
Pioneer Cement Company	51,500	-	-	51,500	21.12	1,087,825	1,081,500	(6,325)	0.21%	0.03%	0.46%
TOBACCO											
Lakson Tobacco	2,000	-	-	2,000	226.27	452,530	516,000	63,470	0.10%	0.00%	0.22%
REFINERY											
Attock Refinery	13,700	2,200	-	15,900	167.77	2,667,525	2,536,845	(130,680)	0.50%	0.05%	1.09%
POWER GENERATION & DISTRIBUTION											
Hub Power Company	35,000	-	10,000	25,000	27.55	688,750	660,000	(28,750)	0.13%	0.00%	0.28%
Kot Addu Power Company	100,000	-	2,500	97,500	41.88	4,083,358	3,680,625	(402,733)	0.73%	0.01%	1.58%
Karachi Electric Supply Corporation	20,000	-	10,000	10,000	7.35	73,500	54,500	(19,000)	0.01%	0.00%	0.02%
Kohinoor Energy	10,500	-	-	10,500	25.56	268,400	273,000	4,600	0.05%	0.01%	0.12%
OIL & GAS EXPLORATION COMPANIES											
Oil & Gas Development Corporation	176,000	-	130,000	46,000	100.99	4,645,602	4,843,800	198,198	0.96%	0.00%	2.08%
Pakistan Oil Fields	80,800	-	63,300	17,500	269.39	4,714,407	4,924,500	210,093	0.98%	0.01%	2.11%
Pakistan Petroleum	213,500	-	59,000	154,500	210.13	32,465,285	33,233,135	767,850	6.58%	0.02%	14.25%
OIL & GAS MARKETING COMPANIES											
Pakistan State Oil Company	90,500	-	62,900	27,600	378.84	10,456,044	10,653,600	197,556	2.11%	0.02%	4.57%
Sui Northern Gas Pipeline	106,000	-	71,000	35,000	61.4	2,149,020	2,180,500	31,480	0.43%	0.01%	0.93%
Sui Southern Gas Company	110,000	-	-	110,000	23.6	2,596,500	2,546,500	(50,000)	0.50%	0.02%	1.09%
CABLE & ELECTRIC GOODS											
Pak Elekton	9,800	-	-	9,800	50.05	490,490	391,020	(99,470)	0.08%	0.02%	0.17%
TRANSPORT											
Pakistan International Airline Corporation	10,000	-	-	10,000	8.85	88,500	85,500	(3,000)	0.02%	0.00%	0.04%
Pakistan International Container Terminal	51,000	-	46,000	5,000	21.41	107,064	128,500	21,436	0.03%	0.01%	0.06%
Pakistan National Shipping Corporation	4,000	-	-	4,000	122.55	490,200	414,400	(75,800)	0.08%	0.00%	0.18%
TECHNOLOGY & COMMUNICATION											
Calmate Telips Telecom	76,000	-	50,000	26,000	37.79	982,425	1,014,000	31,575	0.20%	0.05%	0.43%
Pakistan Telecommunication Company	273,500	-	164,000	109,500	66.67	7,300,160	7,221,525	(78,635)	1.43%	0.00%	3.10%
TRG Pakistan	57,000	-	20,000	37,000	10.72	396,500	373,700	(22,800)	0.07%	0.02%	0.16%
FERTILIZERS											
Fauji Fertilizer Company	68,000	7,275	19,500	55,775	121.84	6,795,950	6,768,372	(27,578)	1.34%	0.01%	2.90%
Fauji Fertilizer Bin Qasim	67,000	-	21,000	46,000	29.93	1,376,819	1,237,400	(139,419)	0.25%	0.00%	0.53%
PHARMACEUTICALS											
GlaxoSmithKline Pakistan	95,400	-	-	95,400	173.98	16,597,410	16,785,630	188,220	3.32%	0.11%	7.20%
CHEMICALS											
ColgatePalmolive (Pakistan)	2,100	-	-	2,100	241.96	508,125	407,925	(100,200)	0.08%	0.02%	0.17%
Pakistan PTA Limited	35,000	-	5,000	30,000	10.26	307,714	240,000	(67,714)	0.05%	0.00%	0.10%
PAPER & BOARD											
Century Paper & Board Mills	6,000	-	-	6,000	94.09	564,550	497,700	(66,850)	0.10%	0.02%	0.21%



FOOD AND PERSONAL CARE PRODUCTS

Clover Pakistan	10,400	-	-	10,400	95.8	996,360	1,092,000	95,640	0.22%	0.19%	0.47%
Gillette Pakistan	2,000	-	-	2,000	57.36	114,725	120,200	5,475	0.02%	0.01%	0.05%
Muree Brewery Company	19,700	-	-	19,700	79.53	1,566,680	1,615,400	48,720	0.32%	0.22%	0.69%
Zulfiqar Industries	3,400	-	-	3,400	95.8	325,710	502,860	177,150	0.10%	0.09%	0.22%
MISCELLANEOUS											
Ecopack	916,000	-	60,500	855,500	57.83	49,472,206	42,432,800	(7,039,406)	8.40%	5.99%	18.19%
Total						<u>238,871,974</u>	<u>233,238,352</u>	<u>(5,633,622)</u>			

4.2. Investment in TFCs – Available For Sale

	2005 (Rupees)
Leasing Company	
Al Zamin Leasing Company	5,000,000
Communication	
Telecard Limited	4.2.1 18,575,000
	<u>23,575,000</u>

The above TFCs are redeemable semi-annually with the yield ranging from 8.28 percent to 12.5 percent per annum. All TFCs have the face value of Rs. 5,000 each, with maturity upto 23 December 2008 and 27 November 2009 for Al Zamin Leasing Company and Telecard Limited, respectively.

4.2.1 These certificates are carried at cost as these were listed subsequent to year-end.

5. PLACEMENTS

Housing Finance	10,000,000
Leasing Company	25,000,000
Discount House	30,000,000
	<u>65,000,000</u>

These are clean placements having return ranging from 10 percent to 12.5 percent per annum with maturities ranging from 4 July 2005 to 15 September 2005.

6. OTHER RECEIVABLE – Considered Good

Security Deposit	50,000
Dividend Income	3,523,700
Profit on Term Finance Certificate	269,529
Profit on Placement	220,547
Profit on Bank Balance	118,033
Receivable from Broker	6,708,064
Advance Tax	693,301
	<u>11,583,174</u>

7. REMUNERATION PAYABLE TO MANAGEMENT COMPANY

The Investment Adviser is entitled to a remuneration for services rendered to the Fund under the provision of NBFC Rules for the first five years of the Fund, of an amount not exceeding three percent of the



average daily net assets of the Fund, and two percent per annum of the average daily net assets there after. The investment Adviser has decided to charge its remuneration for the current period at the rate of three percent of net assets value as at period end, prorated for the period.

8. REMUNERATION PAYABLE TO TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per tariff specified therein, based on the daily net assets value of the Fund. The remuneration of the Trustee has been calculated at the rate 0.15 percent per annum plus Rs. 500,000 on the net assets as at year end exceeding Rs. 250 million, proportionate for the period as per the agreement with the Trustee.

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

This represents the annual fee payable to SECP in accordance with rule 54 of NBFC Rules at the rate of one tenth of one percent of the average annual net assets of the Fund.

10. PRELIMINARY EXPENSES PAYABLE TO MANAGEMENT COMPANY

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs have been fully amortized during the period.

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

	2005 (Rupees)
Initial Listing Fee	585,000
Underwriting Commission	625,000
Legal and Professional Charges	1,404,919
Broker Commission	35,300
Take-up Commission	507,601
Traveling and Salaries Expenses	808,067
Printing and Stationery	177,813
SECP Fee	25,200
Advertisement	831,100
	5,000,000

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to Broker	31,666,579
Fair Value of Derivative Financial Instruments	408,000
Legal and professional Charges	26,000
Audit Fee	82,500
Withholding Tax	11,137
	32,194,216



12. INCOME FROM CARRY-OVER TRANSACTIONS

**2005
(Rupees)**

Return on Carry-Over Transaction	10,592,431
Dividend/Income on Carry-Over Transaction	4,573,750
	<u>15,166,181</u>

13. AUDITORS REMUNERATION

Audit Fee	75,000
Other Certification and Services	7,500
	<u>82,500</u>

14. TRANSACTION WITH CONNECTED PERSON/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 associated companies and key management personnel and their close 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 to the executives are determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year are as follows:

**2005
(Rupees)**

Remuneration to Management Company	4,797,078
Payable to Management Company	5,000,000
Proceeds from Issuance of Unit Certificates	75,500,000
Placements of Funds	413,000,000
Repayment of Placement of Funds	413,000,000



15. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

The Fund's market rate of return sensitivity related to financial assets and financial liabilities as at 30 June 2005 can be determine from the following:

Description	Effective rate (%) per annum	2005			Not exposed to MROR risk	Total
		Exposed to MROR risk Up to three months	More than three months and upto one year	More than one year		
Financial Assets						
Bank Balances	3.00	39,767,384	-	-	-	39,767,384
Receivable against carry-over transactions	10.23	174,063,215	-	-	-	174,063,215
Placements	10-12.5	65,000,000	-	-	-	65,000,000
Investments	8.28-12.5	-	-	23,575,000	233,238,352	256,813,352
Other Receivable		-	-	-	10,889,873	10,889,873
		278,830,599	-	23,575,000	244,128,225	546,533,824
Financial Liabilities						
Remuneration Payable to Management Company		-	-	-	(4,797,078)	(4,797,078)
Remuneration Payable to Trustee		-	-	-	(73,035)	(73,035)
Annual Fee payable to Securities- and Exchange Commission of Pakistan		-	-	-	(162,796)	(162,796)
Preliminary Expenses payable to Management Company		-	-	-	(5,000,000)	(5,000,000)
Creditors, Accrued and Other Liabilities		-	-	-	(32,194,216)	(32,194,216)
		-	-	-	(42,227,125)	(42,227,125)
On-Balance Sheet Gap	Rupees	278,830,599	-	23,575,000	201,901,100	504,306,699

15.1 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.

Financial assets which are tradable in an open market are valued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value, as these items are short-term in nature.

16. RISK MANAGEMENT

The Fund primarily invests in shares of listed companies and debt securities, government securities, secured debt securities, carry-over transactions and reverse re-purchase transactions. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:



16.1 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Investment Adviser manages market risk by monitoring exposure on marketable securities by following the investment guidelines and regulations laid down by the Securities and Exchange Commission of Pakistan.

16.2 Credit Risk

Credit Risk Management

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse re-purchase transactions or other arrangements to fulfill their obligations. There is a possibility of default by participants and of failure of the financial markets/ stock exchanges, the depositories, the settlements or the clearing system, etc.

The risk is managed through assignment of credit limits, obtaining adequate collaterals and following strict credit evaluation criteria laid down by the Investment Adviser. The Investment Adviser does not expect to incur material credit losses on financial assets existing at reporting date.

Concentration of Credit Risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Financial assets subject to credit risk amount to Rs. 547.227 million. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

16.3 Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Investment Adviser manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

16.4 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 Adviser manages investments portfolio of the Fund 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 Adviser expects economic uncertainty the portfolio will be restructured so as to comprise of short-term debt securities, money market instruments, short maturity reverse re-purchase transactions and carry-over transactions.



17. PERFORMANCE TABLE

The Fund's financial highlights since its commencement of business are as under:

	2005 (Rupees)
Net Asset Value	505,000,000
Net Income	5,000,000
Net Asset Value Per Certificate	10.10
Earning Per Certificate	0.10
Dividend Distribution	1.00%

18. MATURITIES OF ASSETS AND LIABILITIES

Maturities of assets and liabilities as at 30 June 2005

	Total	Upto three months	More than three months and upto one year	More than one year
	------(Rupees)-----			
Assets				
Bank Balances	39,767,384	39,767,384	-	-
Receivable Against Carry-Over Transactions	174,063,215	174,063,215	-	-
Investments	256,813,352	256,813,352	-	-
Placements	65,000,000	65,000,000	-	-
Other Receivables	10,889,873	10,839,873	-	50,000
	<u>546,533,824</u>	<u>546,483,824</u>	-	<u>50,000</u>
Liabilities				
Remuneration Payable To Management Company	(4,797,078)	(4,797,078)	-	-
Remuneration Payable to Trustee Company	(73,035)	(73,035)	-	-
Annual Fee Payable to Securities and Exchange Commission of Pakistan	(162,796)	(162,796)	-	-
Preliminary Expenses Payable to Management Company	(5,000,000)	-	(1,000,000)	(4,000,000)
Creditors, Accrued and Other Liabilities	(32,194,216)	(32,194,216)	-	-
	<u>(42,227,125)</u>	<u>(37,227,125)</u>	<u>(1,000,000)</u>	<u>(3,950,000)</u>
Net Assets	<u>504,306,699</u>	<u>509,256,699</u>	<u>(1,000,000)</u>	<u>(3,950,000)</u>



19. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on 6 September 2005 by the Board of Directors of the Investment Adviser.

20. GENERAL

20.1 The Fund has no employees.

20.2 Being the first year of operations, no comparative figures have been presented in these financial statements.

20.3 Figures have been rounded off to nearest rupee.

For and on behalf of Dawood Capital Management Limited
(Formerly Pakistan Venture Capital Limited)
(Management Company)

Tara Uzra Dawood
Chief Executive Officer

Anwar A. Sheikh
Director

Muhammad Abdul Samad
Director

For and on behalf of Central Depository Company Limited (Trustee)

Mohammad Hanif Jakhura
Trustee



**PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 30, 2005**

No. of Certificate Holders	Certificate Holding			Total Certificates Held
	From		To	
0	1	-	100	-
389	101	-	500	194,500
28	501	-	1,000	28,000
27	1,001	-	5,000	66,660
6	5,001	-	10,000	60,000
4	45,001	-	50,000	200,000
4	95,001	-	100,000	400,000
1	145,001	-	150,000	150,000
1	160,001	-	165,000	162,932
1	195,001	-	200,000	200,000
2	245,001	-	250,000	500,000
1	345,001	-	350,000	350,000
8	495,001	-	500,000	4,000,000
1	555,001	-	560,000	560,000
1	600,001	-	605,000	600,500
1	985,001	-	990,000	987,296
9	995,001	-	1,000,000	9,000,000
1	1,045,001	-	1,050,000	1,050,000
1	1,060,001	-	1,065,000	1,062,160
1	1,160,001	-	1,165,000	1,162,432
2	1,495,001	-	1,500,000	3,000,000
2	1,810,001	-	1,815,000	3,624,320
1	2,495,001	-	2,500,000	2,500,000
1	2,995,001	-	3,000,000	3,000,000
2	3,030,001	-	3,035,000	6,060,800
1	4,530,001	-	4,535,000	4,530,400
1	6,545,001	-	6,550,000	6,550,000
497				50,000,000

Categories of Shareholders

Particulars	Number of Certificate Holders	Total Certificates Held	Percentage
Financial Institutions	17	30,427,952	60.86%
Individuals	453	2,596,500	5.19%
Insurance Companies	1	100,000	0.20%
Investment Companies	2	850,000	1.70%
Joint Stock Companies	9	4,162,160	8.32%
Leasing Companies	3	3,299,456	6.60%
Modaraba	7	3,413,932	6.83%
Others	5	5,150,000	10.30%
	497	50,000,000	100.00%



PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30, 2005

CATEGORY NO.	CATEGORIES OF CERTIFICATE HOLDERS	NUMBER OF CERTIFICATES HELD	CATEGORY WISE NO OF CERTIFICATE HOLDERS	CATEGORY WISE CERTIFICATES HELD	PERCENTAGE %
1	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		5	8,876,364	17.75%
	Guardian Modaraba	162,932			
	First Dawood Investment Bank	1,162,432			
	Dawood Capital Management	6,550,000			
	BRR International Modaraba	1,000,000			
	Providence Modaraba Ltd.	500			
	Guardian Modaraba Management	500			
2	NIT & ICP		1	4,530,400	9.06%
	National Bank Of Pakistan, Trustee Deptt.	4,530,400			
3	DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN				
	Rafique Dawood	10,000	2	20,000	0.04%
	Tara Uzra Dawood	10,000			
4	EXECUTIVES		-	-	-
5	PUBLIC SECTOR COMPANIES AND CORPORATION	3,000,000	1	3,000,000	6.00%
6	BANKS, DFIS, NBFIS, INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS	37,991,340	32	37,991,340	75.98%
7	SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST				
	Dawood Capital Management Limited	6,550,000	1	6,550,000	13.10%
8	OTHERS	8,624,320	15	8,624,320	17.25%