



Dawood Capital Management Ltd.

Investment Advisor of



FIRST DAWOOD MUTUAL FUND

**ANNUAL REPORT
2008**



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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) 227-5265 | |
| Fax | : | (92-21) 227-1912 | |
| E-Mail | : | dcm@firstdawood.com | |
| Website | : | www.firstdawood.com/dcm | |
| Board of Directors | Mr. Feroze Sayeed-ud-Deane | Chairman | (Nominee of GM) |
| | Miss Tara Uzra Dawood | Chief Executive Officer | |
| | Mr. Iftikhar Hussain | Director | (Nominee of FDIB) |
| | Mr. Nazimuddin Feroz | Director | (Nominee of BRR) |
| | Mr. Gul Nawaz | Director | (Nominee of NIT) |
| | Mr. Anwar A. Shaikh | Director | |
| | Mr. AVM Zulfiqar Ahmed Shah | Director | (Nominee of FDIB) |
| Group Finance Director | Mr. Muhammad Shoaib | | |
| Chief Financial Officer | Mr. Muhammad Shahid Usman | | |
| Company Secretary | Mr. Tahir Mehmood | | |
| Audit Committee | Mr. AVM Zulfiqar Ahmed Shah | Chairman | |
| | Miss Iftikhar Hussain | Member | |
| | Mr. Anwar A. Shaikh | Member | |
| Auditor | BDO Ebrahim & Co. Chartered Accountants | | |
| Tax Advisor | Mazher Associates Block A1-E-3, Faiza Avenue, 11C-1 North Karachi. | | |
| Legal Advisor | Bawaney & Partners 404, 4th Floor, Beaumont Plaza, 6-cl-10 Beaumont Road, Karachi. | | |
| Bankers | Habib Metropolitan Bank Limited Saudi Pak Commerical Bank Limited | | |
| Registrar | F. D. Registrar Services (SMC Pvt.) Ltd. 1700 A Saima Trade Tower I. I. Chundrigar Road Karachi 74000 | | |
| Rating | PACRA: 4-Star | | |



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



Mr. Feroze Sayeed-Ud-Deane



Mr. Deane is a Bachelor of Science from Dacca University. He has over 43 years of working experience. He is currently working with Castle Overseas Company, a company involved in Export of Textile products to the US. Before this he has worked in National & Grindlays Bank Ltd, Habib Bank Ltd, and BCCI International in various capacities. He was also with in Banco De Descuento, Madrid, Spain as General Manager, and BCCI London as Executive Incharge in Latin America, Vice Chairman and Managing Director BCC Spain.

Miss Tara Uzra Dawood



Miss Tara Uzra Dawood has done her Doctorate of Juridical 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 Ltd.

Mr. Nazimuddin Feroz



He is a graduate and a very experienced industrialist. He has been working as a director for Efroze Chemical Industries and Maple Pharmaceutical (Pvt.) Ltd., since inception and also working as a registered partner for other firms as well.

Mr. Gul Nawaz



Mr. Nawaz is an Asset Manager with extensive experience of equity trading, equity research and as Non-executive Director on the Board of Directors of leading listed public limited companies. Mr. Nawaz did his Masters in Commerce from University of Punjab. He is working with National Investment Trust Limited; a state owned Asset Management Company since 1996.

Mr. Anwar A. Sheikh



Mr. Sheikh is the Master in Business Administration from the Institute of Business Administration (IBA). Mr. Sheikh has over 14 years of strategic expertise in Financial Consulting/Restructuring, Mergers and Acquisition, Privatization, Resource Mobilization and Structured Finance.

Mr. AVM (Retd.) Zulfiqar Ahmed Shah



Mr. Shah has the honour of serving Pakistan Air Force (PAF) with over 34 years of Commissioned Service. He has extensive knowledge and experience of operation at PAF. He is a graduate of Air Command and Staff College of Air University, USAF and National Defence College. He has also managed a large public sector corporation when he was sent on deputation to the Civil Aviation Authority.

Mr. Iftikhar Hussain



Mr. Iftikhar is the Master in Business Administration in Finance from NewYork University. He was also did his BSE in Computer Science from University of Pennsylvania. Mr. Hussain has over 23 years of experience in Finance and since last 15 years he was working as CEO of private limited company.



Mr. Muhammad Shahid Usman (Chief Financial Officer)

Mr. Shahid Usman is an associate member of Institute of Cost & Management Accountant of Pakistan and Pakistan Institute of Public Finance Accountants. He was also completed his Master in Economics from University of Karachi. He has experience of over 13 years in Mutual Fund industry and Financial Institutions. His core responsibilities include Financial Management & Reporting, Taxation, Finalization of Accounts and Budgeting.



Mr. Tauqir Shamshad (SVP & Fund Manager. Dawood Money Market)

Mr. Tauqir has over 16 years of working experience out of which 11 years experience in Treasury and over 4 years in Asset Management. He is Master of Business Administration and Master of Commerce from University of Karachi. He has also completed four years as audit trainee with M/s. Ford Rhodes Sidat Hyder registered with Institute of Chartered Accountants of Pakistan.



Mr. Muhammad Ahmed (Equity Manager - First Dawood Mutual Fund)

Mr. Ahmed has over 15 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 on NCSS, T+3, T=1 and future counters, continuous funding system, assessing and analyzing of the annual reports of companies



Mr. Tahir Mehmood (Company Secretary)

Mr. Mehmood is an Associate Member of the Institute of Corporate Secretaries of Pakistan and Associate Member of the Institute of Chartered Secretaries and Managers (Chartered Secretary Stream). Before joining First Dawood Group (FDG) he was working as Assistant Manager in Deloitte M. Yousuf Adil Saleem & Company, Chartered Accountants for over six years. His areas of expertise include Corporate Affairs, Financial Advisory Services, merger & acquisitions.



Mr. Yousuf Ismail Turk (AVP - Capital Market & Debt Market)

Mr. Yousuf has completed his Bachelors of Commerce from University of Karachi in 1997. He has an experience of over 12 years of managing of shares portfolio in various companies. As well his expertise include hedging/arbitrage of shares, communications with various brokers, coordination with treasury department for pledging and releasing of shares, managing settlement and payment of shares on NCSS, T+3, T=1 and future counters, continuous funding system, assessing and analyzing of the annual reports of companies etc.



Mr. Kamran Sheikh (Researcher - Equity and Investment portfolio)

Mr. Kamran has completed his MBA - Finance & Accounting in 2005 and B.Com in 1998. He has a working experience of 7 years in diversified sectors like textile, venture capital, indenting house and asset management. His core responsibilities include review and analysis of annual and quarterly reports as well as survey reports of various brokerage houses.

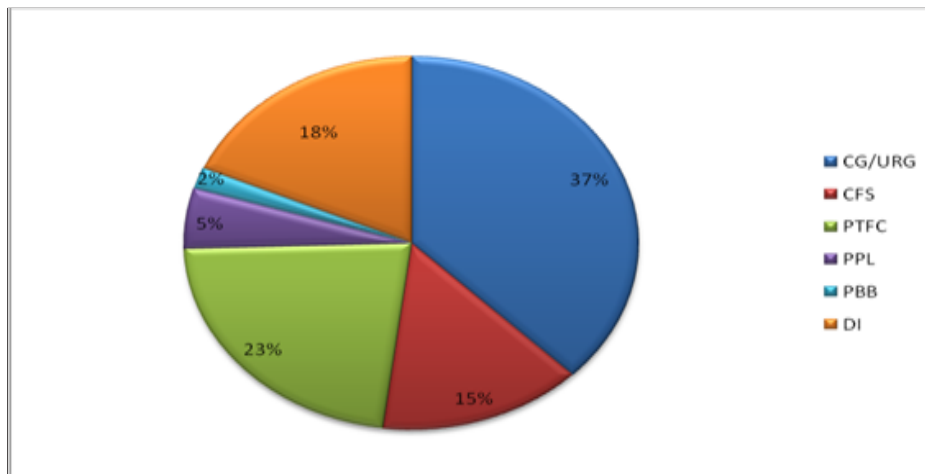


REPORT OF THE DIRECTORS' OF THE INVESTMENT ADVISOR

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 Second Annual Report of the Fund along with the Audited Financial Statements, and Auditors' Report to the certificate holders for the year ended June 30, 2008.

Fund Performance

As at June 30, 2008, net assets were Rs. 752 million as compared to Rs. 775 million as at June 30, 2007. The net income before distribution for the financial year 2007-08 was Rs. 36 million, as against Rs. 157 million last year. This income is mainly derived from Equity Portfolio, Continuous Funding System, Placements, Term Finance Certificates and Bank Deposits. The Board of Directors of the Management Company has declared a cash dividend of 2% for the year ended June 30, 2008.



CG/URG = Capital Gain/Unrealized Gain
CFS = Continuous Funding System
PTFC = Profit on Term Finance Certificates
PPL = Profit on Placement
PBB = Profit on Bank Balances
DI = Dividend Income

Earnings per Certificate

Earnings per certificate for the period from July 01, 2007 to June 30, 2008 are Rs. 0.61 per certificate.

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.

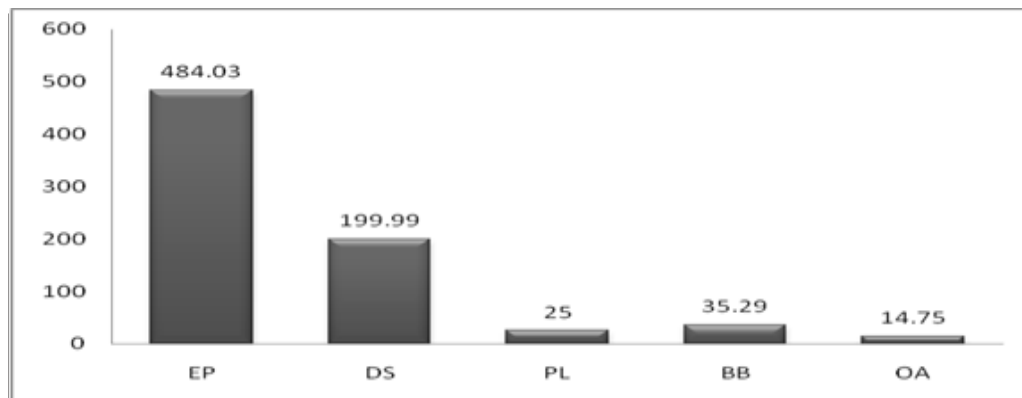


Investing Activities/Strategy

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.

The portfolio management team selects investments using various analytical disciplines such as top-down fundamental research and quantitative screens in the 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, 2008, the Fund has made investments of Rs. 484 million mostly in strong dividend payout and blue chip scripts representing 64% 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 12%, Insurance 27%, Chemicals, Fertilizer and Pharmaceuticals 24%, Oil & Gas sector 12%, Refineries 6% and Cement 4%. Break-up of total assets of the Fund are follows:



(Rupees in Million)

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

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA), in its initial rating process, assigned a strong "Four Star" rating to your Fund, reflecting a good performance relative to its peers. The rating is a composite measure of the returns and the risks associated with the returns measured by the Sharpe Ratio.



Overall Economic Scenario

Global Economic Situation

In the last 5 years Pakistan's economy strong performance was underpinned by the macro economic policies pursued by the government and a buoyant global economic environment with rapid economic expansion in China and India fuelling global economic growth. In this period the global economy due to continued strong expansion, has become geographically more broad-based. However, since the mid of 2007 the health of the global economy has taken a hit from the subprime crisis in the US and in some parts of Europe and distress and high turbulence in international financial markets. The IMF and other international financial bodies have already downward revised their global growth projections for the next 3 years. Pakistan's economy has experienced the negative fallouts of a reduction in international capital liquidity which has drained away foreign investment inflows. However growth in emerging economies is though slightly diminished is likely to remain solid and stable in the medium to long term despite external shocks coming from record high international oil prices to \$147 per barrel and other commodity prices, which are fuelling global inflationary pressures, and a downturn in global demand.

Performance of the Pakistan economy

Pakistan's real GDP grew by 5.8% in FY08, lower than the 6.8% growth achieved in FY07. The slowdown in economic growth was a direct result of lower than targeted performance by the manufacturing and agriculture sectors. Second monetary policy of FY2007 was negative for banking sector in which SBP to curb from inflationary pressure increase discount rate by 150 bps and minimum rate of 5% has been imposed on PLS savings accounts. Pakistan economy had also hit by the cost push inflation through the hike of international oil & other commodity prices which fuelling the inflationary pressure in our economy. Agricultural production increased by 1.5% in FY08 versus 3.7% growth previous year. Similarly, manufacturing growth decreased to 5.4% in FY08 against 8.2% attained in the previous year. Large Scale Manufacturing (LSM) grew by just 4.8% as compared to 8.6% in FY07. During the current fiscal year, the main growth driver remained the services sector which grew at a high rate of 8.2% versus 7.6% growth attained in FY07. Current foreign reserves are \$10.73 billion, trade and current A/c deficits are \$20.74 & \$14.01 billion respectively. Despite an economic growth slowdown during the current fiscal year, high average real GDP growth in the last 6 years has resulted in the real per capita GDP to increase from US\$586 in FY03 to US\$1085 in FY08.

In our view Pakistan's economy has entered a consolidation phase; while growth is likely to remain healthy around 5% it will be significantly lower than that achieved in the last 5 years.

Market Outlook and Prospects

Due to deterioration in the socio economic conditions in the previous fiscal year the Karachi stock exchange remained highly turbulent. During the period KSE-100 index touched its high of 15,739.25 on April 21, 2008 and made its low of 11,134.85 on June 23, 2008 lost 4,600 point (Ytd decline of 29.25%) & at June 30th it closed at 12,289 levels. The economic indicators (like rising trade deficit, skyrocketing inflation and the massive depreciation of the rupee against dollar) and political situation of the country, which remained the main reasons, to discourage the local as well as international investors and fall of the market.

However investor interest remained strong in the Oil & gas and agro based sectors like fertilizer. Considering the ongoing boom in global boom in commodity prices we think that these fast growing sectors will continue to attract investor interest in Pakistan.

The Securities and Exchange Commission of Pakistan (SECP) has been actively pursuing a capital market reform program geared towards the development of a modern and efficient corporate sector and capital market, based on sound regulatory principles that provide impetus for high economic growth.



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. Hasib Ahmed, Nominee Director of ADB, has resigned and Mr. Iftikhar Hussain has been appointed as a new director.

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 2007-08 five (5) meetings of the Board of Directors of the management company were held, the requisite details are as under:

| S. no | Name | Designation to Attend | Entitlement Absences Meeting | Leave of |
|-------|-------------------------------|-----------------------|------------------------------|----------|
| 1. | Mr. Feroze Sayeed-ud-Deane | Chairman | 5 | - |
| 2. | Miss Tara Uzra Dawood | Chief Executive | 5 | 1 |
| 3. | Mr. Gul Nawaz | Director | 5 | 1 |
| 4. | Mr. Anwar A. Sheikh | Director | 5 | 3 |
| 5. | Mr. Hasib Ahmed | Director | 4 | 4 |
| 6. | Mr. AVM (Retd.) Zulfiqar Shah | Director | 5 | 1 |
| 7. | Mr. Nazimuddin Feroz | Director | 5 | 2 |
| 8. | Mr. Iftikhar Hussain | Director | 1 | - |



Audit Committee

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

| | |
|-------------------------------------|----------|
| Mr. AVM (Retd.) Zulfiqar Ahmed Shah | Chairman |
| Mr. Anwar A. Sheikh | Member |
| Mr. Iftikhar Hussain | Member |

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

Auditors

The present auditor, M/s BDO Ebrahim & Co., Chartered 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, 2009.

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.

The Fund is exposed to a variety of risks including credit, liquidity, interest rate, market risk and operational risk.

Our risk management policies and procedures ensure that risks are effectively identified, evaluated, monitored and managed. Risk management is a dynamic function and management must continuously monitor its internal risk procedures and practices in order to reduce earnings variability.

The Board has formed the following committees to manage the various types of risks the Bank is exposed to:

- Board's Audit Committee
- Investment Committee
- Asset Liability 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, 2007

The pattern of certificate holders as on June 30, 2008 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 later to their financial needs. We also appreciate the guidance provided to FDMF 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 Company.

Karachi
September 25, 2008

For and on behalf of the Board,

Chairman



REPORT OF THE FUND MANAGER

Fund Objective

First Dawood Mutual Fund (FD MF) 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.

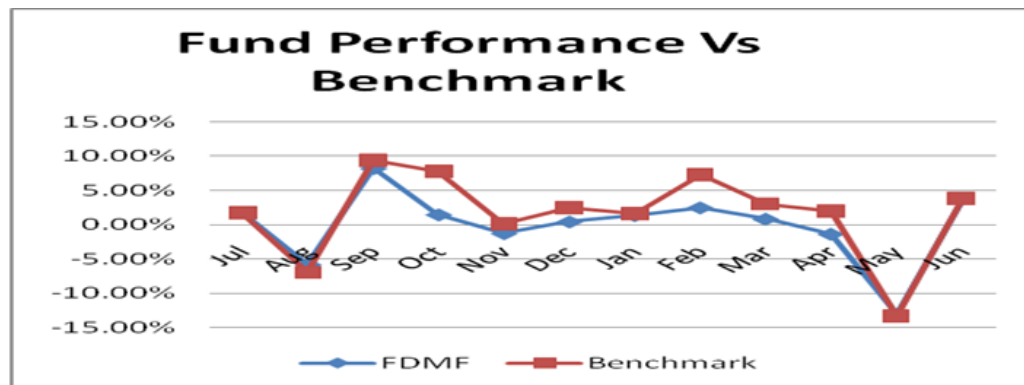
Market Performance

During the FY2008, the KSE index was down by 10.77%. Most of this loss has come in the last quarter of the fiscal year 2008. Banking sector were the most down ward performer, contributing almost 47% of the total decline in the index. During April KSE-100 index touch its ever high at 15,739.25 level and at the end of the quarter index closed at 12,289.03 at that time market was traded at the discount of 22%. Top three contributing sectors are banking 47%, cement 43.9% and insurance sector by 38.9% and other sectors according to there percentages are refineries, fertilizer, OMC's & oil & gas exploration companies are 36.2%, 32.2%, 30.3% & 25.1% respectively in respect to there market capitalization.

Fund Performance

As at June 30, 2008, net assets were Rs. 752 million as compared to Rs. 775 million as at June 30, 2007. The net income before distribution for the financial year 2007-08 was Rs. 36 million, as against Rs. 157 million last year. This income is mainly derived from Equity Portfolio, Continuous Funding System, Placements, Term Finance Certificates and Bank Deposits. The Board of Directors of the Management Company has declared cash dividend of 2% for the year ended June 30, 2008.

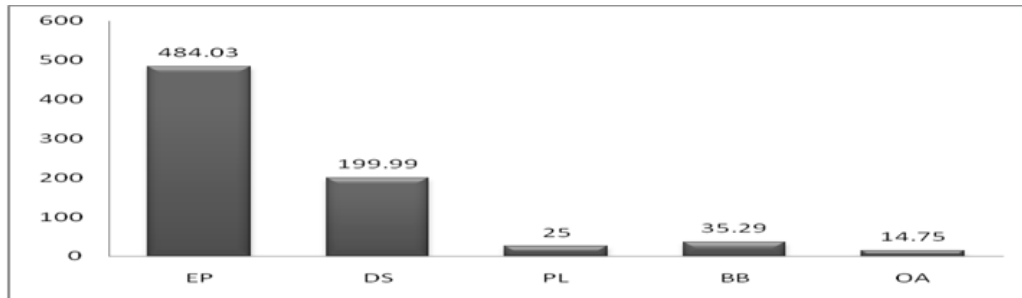
| Months | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Average |
|-----------|--------|---------|-------|-------|--------|-------|--------|-------|-------|--------|---------|-------|---------|
| FD MF | 1.80% | -5.82% | 8.21% | 1.45% | -1.28% | 0.43% | 1.36% | 2.48% | 0.83% | -1.37% | -13.07% | 3.68% | -0.11% |
| Benchmark | 1.67% | -6.97% | 9.36% | 7.76% | 0.11% | 2.45% | 1.59% | 7.23% | 3.01% | 1.98% | -13.34% | 3.78% | 1.55% |
| KSE | -0.24% | -11.10% | 9.31% | 7.25% | -2.24% | 0.55% | -0.42% | 6.54% | 1.28% | -0.02% | -19.78% | 1.31% | -0.63% |



Sector Wise Distribution of Fund As on 30th June 2008

On June 30, 2008, the Fund has made investments of Rs. 484 million mostly in strong dividend payout and blue chip scrips representing

64% 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 12%, Insurance 27%, Chemicals, Fertilizer and Pharmaceuticals 24%, Oil & Gas sector 12%, Refineries 6% and Cement 4%. Break-up of total assets of the Fund are follows:



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

| | <u>FY 2007-2008</u> |
|--|---------------------|
| Beginning Net Assets (Rs. in Million) | 774.99 |
| Beginning NAV (Rupees) (Ex Div.) per Certificate | 12.34 |
| Ending Net Assets (Rs. in Million) | 752.47 |
| Beginning NAV (Rupees) per Certificate | 12.96 |
| Cash Distribution - Final | 2.00 % |
| Income Distribution | 32.67 % |
| Capital Growth | 2.91% |
| Total Return | 5.02% |

Major Strategies and Policies Employed During the Year 2008

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

- Fund increased its allocation to insurance sector at the beginning of the year, because due to the exemption of the capital gain tax insurance sector was expected in view of the attractive valuations and dividend yield. At the end of the year fund reduced sector exposure by approx 4.00%.
- Fund increase its exposure in Commercial Banks at the beginning of the year from 5.82% to 8.78% due to some factors e.g. exemption of the capital gain tax, investment growth, expansion in branches due to attractive GDP growth, growth in advances due to increase in money supply make the view of the attractive valuations and dividend yield of banking sector.
- Fund increase its exposure in fertilizer sector at the beginning of the year from 3.34% to 4.85 which is increase of 45%. The main factor was FFC have 51% stake in FFBL dividend income was expected, due to increase subsidies in DAP prices was expected the increase in local fertilizer demand.



- Fund increased allocation to power sector with sector exposure increasing by 11% the main cause due to which its valuations of dividend yield was attractive because they earn revenue in dollar so, devaluation of Pak Rupee give benefit to power sector.
- Fund maintained heavy weight in E&P and OMC sectors due to positive sector dynamics like continuously high international oil prices, currency devaluation and new discoveries; all set to benefit stocks in this sector. Exposure in the sector increased to 3.5% and 36.33% respectively.
- Fund increase its exposure in cement sector initially but fund rebalanced its exposure to Cements stocks by reducing exposure from 3.26% to 1.96% which is reduction of 39.88%. That reduction is due to increase in coal and energy as well as input prices. Which reduce their margins.
- Fund maintained heavy weight in Pharmaceuticals sectors from 5.82% to 8.78% which is increase of 50.86%. Prices were fixed by government in year 2001 but recently budget announced reduction in duties as well as negotiation of revised prices of pharmaceuticals product will improve sectors margins.
- Fund maintained heavy weight and fund increase its exposure in Refinery sectors from 1.21% to 3.69% which is increase of 200% the main reason for increase of exposure was improving Gross Refinery Margins and increasing of crude oil prices which make the view of the attractive valuations and dividend yield of refinery sector.
- Fund increase its exposure in Chemical sector from 0.62% to 1.67% which is increase of 169% the main reason behind the enhancing exposure was the product differentiation of ICI have high demand in industry e.g. Soda Ash mainly use in glass and papers, and PSF mainly use in textile products these products have increasing demand in local market. Make the view of the attractive valuations and dividend yield.
- Fund took exposure initially in PTCL vis-à-vis favorable regulatory changes and strategic initiatives at the company e.g. new calling packages, decrease in pulse duration, revision in fixed mobile transmission and ASR rates and operating cost saving post implementation of VSS. At last quarter due to negative sentiment of market and negative technical indications fund reduce their exposure from 2.52% to 0.82% which is the reduction of 67%.

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. The failure of resolving the longstanding issue of reinstatement of the deposed judges was the key in destabilizing the political environment of the country. Furthermore, the deteriorating economic situation of the country with the rising trade deficit, current A/c 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 attracted \$1900 million inflow from foreign portfolio investors, which is a record inflow for a single year and outflow were \$2141 million the net outflow from foreign investor portfolio was 264.93 million during the fiscal year. Malayan Banking Berhad (Maybank) remitted USD 666mn (PKR 44bn) to Pakistan as payment for 15% shares of MCB Bank Limited.



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 further oil price increases are in the pipeline, whereas electricity and gas prices have already been revised CPI for 2008 at 12% compared to 7.8% in 2007 with food inflation jumping to 10.3% as compared to 6.9% in 2007. The trade deficit increased to \$20.74 billion as compared to \$13.5 billion in 2007 as exports failed to pick up.

Future Outlook

Our future outlook for market is cautious approach should be follow, due to economic and political situation currently in Pakistan, although corporate earning growth 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.

Discount rate is increasing for the last three monetary policies issued by SBP which is about 400bps to reduce the liquidity from the banking system and slowing credit demand to curb the inflationary pressure and mitigating the trade and current A/c deficit which is dilemma for our economy, but on the other hand that tighten monetary policy is negative for the growth of capital & financial market specially for banking sector as well as those sectors which are highly levered.



TRUSTEE REPORT TO THE CERTIFICATE HOLDERS

FIRST DAWOOD MUTUAL FUND

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

The First Dawood Mutual Fund (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, 2008 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, 2007 and the constitutive documents of the Fund.

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 30, 2008



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

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

This Statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 37 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.

Dawood Capital Management Limited (the Company), the Investment Advisor 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 independent non-executive directors on its Board of Directors. At present, the Board includes six (6) non-executive directors. Accordingly, the majority of the directors of the Board are non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the 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. No casual vacancy occurred in the Board during the year.
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 had 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 the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were preside over by the Chairman. 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.
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 article of Associations 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 Company Secretary, Chief Financial Officer 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. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the board.



-
13. The directors, Chief Executive Officer and executives do not hold any interest in the Certificates of the Fund other than that disclosed in the pattern of certificateholding.
 14. The Company has complied with all the corporate and financial reporting requirements of the Code.
 15. The Board 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 (AC) were held at least once every quarter prior to approval of the interim and final results of the Company and as required by the code. The terms of reference of the (AC) have been formed and advised to the (AC) for compliance.
 17. The Board has outsourced the internal audit function to M/s Anjum Asim Shahid Rehman & Co. Chartered Accountants, and has also approved their remuneration & 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 Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificate of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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.

Karachi
September 25, 2008

On Behalf of the Board of Directors
Dawood Capital Management Limited

Tara Uzra Dawood
Chief Executive Officer



BDO Ebrahim & Co.
Chartered Accountants

2nd Floor, Block-C, Lakson Square Building No.1
Sarwar Shaheed Road, Karachi-74200, Pakistan.
Telephone : 5683030, 5683189, 5683498, 5683703
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AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the code of Corporate Governance prepared by the Board of Directors of Dawood Capital Management Limited, the Investment Advisor of First Dawood Mutual Fund to comply with Listing Regulations 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 inquiries of the Investment Advisor's personnel and review of various documents prepared by the Investment Advisor to comply with the code.

As part of or 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 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 statement 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 year ended June 30, 2008.

Karachi :
v September 25, 2008

BDO Ebrahim & Co.
Chartered Accountants



BDO Ebrahim & Co.
Chartered Accountants

2nd Floor, Block-C, Lakson Square Building No.1
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INDEPENDENT AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of First Dawood Mutual Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2008 and the income statements, 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 requirement of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control 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 risks 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, 2008 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 and NBFC Rules.

The financial statements of the Fund for the year ended June 30, 2008 were audited by another firm of chartered accountants whose report dated September 05, 2007 expressed an unqualified opinion thereon.

KARACHI

September 25, 2008

BDO Ebrahim & Co.
Chartered Accountants



**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2008**

| | Note | 2008 Rupees | 2007 Rupees |
|--|------|--------------------|--------------------|
| ASSETS | | | |
| Bank Balances - Savings Accounts | | 35,294,516 | 15,515,460 |
| Receivables Against Continuous Funding System | 4 | - | 207,152,955 |
| Investments | 5 | 684,017,059 | 507,279,927 |
| Placements | 6 | 25,000,000 | 60,000,000 |
| Advances, Deposits and Other Receivables | 7 | 14,745,260 | 9,753,977 |
| Total Assets | | 759,056,835 | 799,702,319 |
| LIABILITIES | | | |
| Remuneration Payable to Investment Advisor | 8 | 1,829,653 | 19,357,429 |
| Remuneration Payable to Trustee | 9 | 87,726 | 88,751 |
| Annual Fee Payable to SECP | 10 | 803,855 | 645,244 |
| Preliminary Expenses Payable to Investment Advisor | 11 | 2,000,000 | 3,000,000 |
| Creditors, Accrued and Other Liabilities | 12 | 1,868,319 | 1,616,349 |
| Total Liabilities | | 6,589,553 | 24,707,773 |
| Net Assets | | 752,467,282 | 774,994,546 |
| Certificate Holder's Equity | | | |
| Issued, Subscribed and Paid-Up Capital | 13 | 580,750,000 | 580,750,000 |
| Unappropriated Profit | | 171,717,282 | 194,244,546 |
| | | 752,467,282 | 774,994,546 |
| Number of Certificates | | 58,075,000 | 58,075,000 |
| Net Asset Value Per Certificate (face value per certificate Rs.10/-) | | 12.96 | 13.34 |

The annexed notes 1 to 30 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 30 JUNE 2008**

| | Note | 2008 Rupees | 2007 Rupees |
|--|------|----------------------|----------------|
| INCOME | | | |
| Capital Gain on Sale of Investment | | 130,808,524 | 42,121,341 |
| Income from Continuous Funding System | | 9,828,015 | 14,059,634 |
| Profit on Term Finance Certificates | | 15,159,574 | 4,992,936 |
| Income from Placements | | 3,484,008 | 10,976,639 |
| Dividend Income | | 12,420,655 | 14,299,520 |
| Profit on Bank Balances | | 1,259,443 | 1,183,138 |
| | | 172,960,219 | 87,633,208 |
| Unrealized (Loss)/Gain on Revaluation of Investments at Fair Value through Profit or Loss | 14 | (105,573,778) | 94,774,080 |
| Total Income | | 67,386,441 | 182,407,288 |
| EXPENSES | | | |
| Remuneration of Investment Advisor | | 24,112,571 | 19,357,429 |
| Remuneration of Trustee | | 1,117,971 | 990,004 |
| Annual Fee of SECP | | 803,855 | 645,244 |
| Brokerage and Settlement Charges | | 4,939,654 | 3,630,626 |
| Auditors' Remuneration | 16 | 175,000 | 166,050 |
| Fee and Subscription | | 642,917 | 618,422 |
| Bank Charges | | 16,737 | 41,447 |
| Legal and Professional Charges | | 30,000 | 65,275 |
| Total Expenses | | 31,838,705 | 25,514,497 |
| Net Income for the Year | | 35,547,736 | 156,892,791 |
| Earnings per Certificate | 17 | 0.61 | 2.70 |

The annexed notes 1 to 30 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 30 JUNE 2008**

| | 2008 Rupees | 2007 Rupees |
|---------------------------------------|---------------------------|------------------------|
| Unappropriated Income Brought Forward | 194,244,546 | 113,101,755 |
| Issue of Bonus Certificates | - | (75,750,000) |
| Cash Dividend | (58,075,000) | - |
| Net Income for the Year | 35,547,736 | 156,892,791 |
| Unappropriated Income Carried Forward | <u>171,717,282</u> | <u>194,244,546</u> |

The annexed notes 1 to 30 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 RESERVE
FOR THE YEAR ENDED 30 JUNE 2008**

| | 2008 Rupees | 2007 Rupees |
|---|------------------------|------------------------|
| Face Value of Certificate | 10.00 | 10.00 |
| Capital Gain on Sale of Securities | 2.25 | 0.73 |
| Income from Continuous Funding System | 0.17 | 0.24 |
| Profit on Term Finance Certificates | 0.26 | 0.09 |
| Income from Placements | 0.06 | 0.19 |
| Dividend Income | 0.21 | 0.25 |
| Profit on Bank Balances | 0.02 | 0.02 |
| Other Net Operating Expenses | (0.55) | (0.44) |
| | 12.42 | 11.08 |
| Unrealized (Loss)/Gain on Revaluation of Investments Classified as Financial Assets at Fair Value through Profit or Loss | (1.81) | 1.62 |
| | 10.61 | 12.70 |

The annexed notes 1 to 30 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 30 JUNE 2008**

| | 2008 | 2007 |
|---|---------------------|---------------------|
| | Rupees | Rupees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit for the Year | 35,547,736 | 156,892,791 |
| Adjustments: | | |
| Income on Continuous Funding System | (9,828,015) | (14,059,634) |
| Profit on Term Finance Certificates | (15,159,574) | (4,992,936) |
| Income on Placements | (3,484,008) | (10,976,639) |
| Dividend Income | (12,420,655) | (14,299,520) |
| Profit on Bank Balances | (1,259,443) | (1,183,138) |
| Adjustments for Non-Cash Items | | |
| Unrealized Loss/(Gain) on Revaluation of Investments classified as Financial Assets at Fair Value through Profit or Loss | <u>105,573,778</u> | <u>(94,774,080)</u> |
| Profit Before Working Capital Changes | <u>98,969,819</u> | <u>16,606,844</u> |
| (Increase)/Decrease in Assets | | |
| Investments | (282,310,910) | 66,027,189 |
| Placements | 35,000,000 | 20,000,000 |
| Receivables against Continuous Funding System | 207,152,955 | (151,063,525) |
| Other Receivables | (4,060,702) | (310,454) |
| | <u>(44,218,657)</u> | <u>(65,346,790)</u> |
| (Decrease)/Increase in Liabilities | | |
| Remuneration of Investment Advisor | (17,527,776) | 1,068,758 |
| Remuneration of Trustee | (1,025) | 7,514 |
| Annual Fee of SECP | 158,611 | 35,620 |
| Preliminary Expenses Payable | (1,000,000) | (1,200,000) |
| Creditors, Accrued and Other Liabilities | (584,926) | (656,846) |
| | <u>(18,955,116)</u> | <u>(744,954)</u> |
| Cash Generated from/(used in) Operations | <u>35,796,046</u> | <u>(49,484,900)</u> |
| Dividend Paid | (57,238,104) | - |
| Profit Received on Term Finance Certificates | 11,982,728 | 4,191,906 |
| Income Received on Placements | 4,914,780 | 10,460,749 |
| Dividend Income Received | 12,769,048 | 14,617,930 |
| Profit Received on Bank Balances | 1,209,996 | 1,275,489 |
| Net Cash Inflow/(Outflow) from Operating Activities | <u>9,434,494</u> | <u>(18,938,826)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Income Received on Continuous Funding System and Net Cash Inflow from Financing Activities | <u>10,344,562</u> | <u>13,647,434</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | <u>19,779,056</u> | <u>(5,291,392)</u> |
| Cash and Cash Equivalents at Beginning of the Year | <u>15,515,460</u> | <u>20,806,852</u> |
| Cash and Cash Equivalents at End of the Year | <u>35,294,516</u> | <u>15,515,460</u> |

The annexed notes 1 to 30 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 30 JUNE 2008

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 the 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 3' has been assigned to the Management Company and 4 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, 2007 (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.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

Amendments to the following Standards and interpretations have been published that are mandatory to the financial statements of the Company covering accounting periods beginning on or after the following effective date:



| | | |
|----------|--|---------------------------------|
| IAS 1 | Presentation of Financial Statements | Effective from January 01, 2009 |
| IAS 23 | Borrowing Costs | Effective from January 01, 2009 |
| IAS 27 | Consolidated and Separate Financial Statement | Effective from January 01, 2009 |
| IFRS 3 | Business Combinations | Effective from January 01, 2009 |
| IFRS 7 | Financial Instruments Disclosures | Effective from April 28, 2008 |
| IFRS 8 | Operating Segments | Effective from January 01, 2009 |
| IFRIC 12 | Service Concession Arrangements | Effective from January 01, 2008 |
| IFRIC 13 | Customer Loyalty Programs | Effective from July 01, 2008 |
| IFRIC 14 | The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions | Effective from January 01, 2008 |

Adoption of the above amendments may only impact the extent of disclosures presented in the future financial statements.

Standards, amendments and interpretations effective beginning on or after December 06, 2006.

The new series of standards called "International Financial Reporting Standards" (IFRSs) have been introduced and seven IFRSs have been issued by IASB and out of these, the following four IFRSs have been adopted by the Securities Exchange Commission of Pakistan vide SRO 1228 (1) /2006 effective for periods beginning on December 06, 2006.

| | |
|----------|--|
| IFRS - 2 | Share based Payments |
| IFRS - 3 | Business Combinations |
| IFRS - 5 | Non-Current Assets held for Sale and Discontinued Operations |
| IFRS - 6 | Exploration for and Evaluation of Mineral Resources. |

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 note 20 and 21 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 exc hanges, 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 a 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 measured 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.

4. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM

The rates of return on these transactions range between 9.7% to 19.81% per annum (2007:10% to 19 %) with maturities ranging from overnight to 21(2007: 22) working days. Fair value of the collaterals accepted against the above receivable balance as at June 30, 2008 amounted to Nil (2007: Rs. 202.14 million).

| | 2008 Rupees | 2007 Rupees |
|---|---------------------------|---------------------------|
| 5. INVESTMENTS | | |
| Financial Assets At Fair Value Through Profit or Loss | | |
| Held For Trading | | |
| Listed Marketable Securities | 5.1 484,029,741 | 452,316,822 |
| Term Finance Certificates | 5.2 199,987,318 | 54,963,105 |
| | <u>684,017,059</u> | <u>507,279,927</u> |

5.1 Listed Marketable Securities

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

| Quoted Sector Scrips | Number of shares / certificates | | | | | Balance as at 30 June 2008 | | | Percentage In relation to | | |
|--------------------------|---------------------------------|--------------------------------|---------------|----------------------------|---------|----------------------------|-----------------|------------------------------|--|--|--|
| | Opening Balance | Purchase During the year | Bonus / Right | Sold During the year | Closing | 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 (with market value of each investment) |
| Close-End Mutual Funds | | | | | | | | | | | |
| JS ABAMCO Limited | - | 5,000 | - | 5,000 | - | - | - | - | - | - | - |
| Modarabas | | | | | | | | | | | |
| B.R.R. Guardian Modaraba | - | 951,500 | - | 500 | 951,000 | 8,097,500 | 6,780,630 | (1,316,870) | 0.90 | 1.22 | 1.4 |



| | | | | | | | | | | | |
|---|---------|-----------|--------|-----------|---------|------------|------------|-------------|------|------|------|
| Leasing Companies | | | | | | | | | | | |
| Orix Leasing Corporation Limited | 37,500 | - | - | 37,500 | - | - | - | - | - | - | |
| Investment Banks / Companies | | | | | | | | | | | |
| Arif Habib Securities Limited | 178,105 | 1,368,900 | - | 1,537,005 | 10,000 | 1,684,502 | 1,614,800 | (69,702) | 0.21 | 0.00 | 0.33 |
| Arif Habib Limited | - | 34,000 | - | 34,000 | - | - | - | - | - | - | - |
| First National Equities Limited | 195,000 | 127,000 | 17,850 | 339,850 | - | - | - | - | - | - | - |
| Jawed Omer Vohra and Company | - | 16,500 | - | 16,500 | - | - | - | - | - | - | - |
| JS Investment Limited | 10,000 | 126,400 | - | 136,400 | - | - | - | - | - | - | - |
| Orix Investment Bank Limited | 24,600 | 95,200 | - | 34,500 | 85,300 | 1,127,025 | 422,235 | (704,790) | 0.06 | 0.08 | 0.09 |
| Pakistan Industrial Credit and Investment Corporation Limited | | | | | | | | | | | |
| Corporation Limited | - | 26,500 | - | 26,500 | - | - | - | - | - | - | - |
| Pervez Ahmed Securities | - | 192,000 | - | 192,000 | - | - | - | - | - | - | - |
| Jahangir Siddiqui & Company Limited | - | 4,000 | - | 4,000 | - | - | - | - | - | - | - |
| First Dawood Investment Bank Limited | - | 1,000 | - | - | 1,000 | 42,700 | 69,950 | 27,250 | 0.01 | - | 0.01 |
| Orix Bank Limited - Right | - | 50,200 | - | 50,200 | - | - | - | - | - | - | - |
| Dawood Equities Limited | - | 543,500 | - | 35,000 | 508,500 | 12,878,321 | 9,025,875 | (3,852,646) | 1.20 | - | 1.86 |
| Commercial Banks | | | | | | | | | | | |
| Allied Bank Limited | - | 23,400 | - | 18,400 | 5,000 | 458,092 | 426,350 | (31,742) | 0.06 | - | 0.09 |
| Arif Habib Bank Limited | - | 404,500 | 5,260 | 128,000 | 281,760 | 7,827,050 | 5,404,157 | (2,422,893) | 0.72 | - | 1.12 |
| Askari Bank Limited | - | 1,032,200 | 59,500 | 842,200 | 249,500 | 17,213,267 | 10,027,405 | (7,185,862) | 1.33 | - | 2.07 |
| Atlas Bank Limited | 71,000 | 504,200 | - | 549,200 | 26,000 | 304,041 | 272,480 | (31,561) | 0.04 | 0.01 | 0.06 |
| Atlas Bank Limited - Right | - | 368,200 | - | 368,200 | - | - | - | - | - | - | - |
| Bank Al Habib Limited | 64,636 | 201,000 | 42,400 | 175,300 | 132,736 | 6,216,361 | 5,604,114 | (612,247) | 0.74 | 0.04 | 1.16 |
| Bank Al-Falah Limited | - | 510,700 | - | 490,700 | 20,000 | 1,054,333 | 821,200 | (233,133) | 0.11 | 0.00 | 0.17 |
| Bankislami Pakistan Limited | - | 431,500 | - | 406,000 | 25,500 | 377,496 | 377,655 | 159 | 0.05 | - | 0.08 |
| Bank of Khyber Limited | - | 30,000 | - | 30,000 | - | - | - | - | - | - | - |
| Bank of Punjab Limited | - | 336,300 | 1,250 | 337,550 | - | - | - | - | - | - | - |
| Crescent Commercial Bank Limited | - | 33,500 | - | 33,500 | - | - | - | - | - | - | - |
| Faysal Bank Limited | - | 55,000 | - | 55,000 | - | - | - | - | - | - | - |
| JS Bank Limited | 95,436 | 1,003,218 | - | 968,500 | 130,154 | 2,490,663 | 1,788,316 | (702,347) | 0.24 | 0.04 | 0.37 |
| MCB Bank Limited | - | 142,300 | - | 142,300 | - | - | - | - | - | - | - |
| Habib Bank Limited | - | 189,700 | 10 | 189,710 | - | - | - | - | - | - | - |
| Habib Metropolitan Bank Limited | 324,454 | 32,900 | 62,970 | 47,000 | 373,324 | 10,861,841 | 15,369,749 | 4,507,908 | 2.04 | 0.07 | 3.18 |
| My Bank Limited | - | 167,000 | - | 69,500 | 97,500 | 2,357,155 | 1,825,200 | (531,955) | 0.24 | 0.03 | 0.38 |
| National Bank Of Pakistan | 2,000 | 635,700 | 3,000 | 635,700 | 5,000 | 772,400 | 737,500 | (34,900) | 0.10 | 0.00 | 0.15 |
| NIB Bank Limited | - | 721,800 | - | 520,000 | 201,800 | 4,146,457 | 2,294,466 | (1,851,991) | 0.30 | 0.01 | 0.47 |
| PICIC Commercial Bank Limited | 35,000 | 35,000 | - | 70,000 | - | - | - | - | - | - | - |
| Soneri Bank Limited | - | 132,900 | 6,900 | 101,700 | 38,100 | 1,516,402 | 946,404 | (569,998) | 0.13 | - | 0.20 |
| Saudi Pak Commercial Bank Limited | - | 56,500 | - | 56,500 | - | - | - | - | - | - | - |
| United Bank Limited | - | 168,500 | - | 168,500 | - | - | - | - | - | - | - |
| Meezan Bank Limited | - | - | - | - | - | - | - | - | - | - | - |
| Standard Chartered Bank Limited | 10,000 | 35,000 | - | 27,200 | 17,800 | 1,054,799 | 418,478 | (636,321) | 0.06 | - | 0.09 |
| JS Bank Limited - Right | - | 57,718 | - | 57,718 | - | - | - | - | - | - | - |
| ABN AMRO Bank Pakistan Limited | - | 20,000 | - | 20,000 | - | - | - | - | - | - | - |



| | | | | | | | | | | | |
|---|-----------|-----------|--------|-----------|-----------|------------|------------|-------------|------|------|-------|
| Insurance | | | | | | | | | | | |
| Adamjee Insurance Company Limited | - | 62,500 | - | 62,500 | - | - | - | - | - | - | |
| American Life Insurance Company Limited | 1,967,000 | 1,009,538 | - | 1,478,000 | 1,498,538 | 28,184,537 | 73,428,362 | 45,243,825 | 9.76 | 3.00 | 15.17 |
| Askari General Insurance Company Limited | 125,900 | 100 | 37,770 | 3,500 | 160,270 | 2,523,379 | 6,617,548 | 4,094,169 | 0.88 | 1.02 | 1.37 |
| Atlas Insurance Limited | - | 97,590 | 20,550 | 89,050 | 29,090 | 2,790,311 | 2,280,947 | (509,364) | 0.30 | 0.14 | 0.47 |
| Beema Pakistan Company Limited | 35,500 | - | - | - | 35,500 | 73,825 | 81,650 | 7,825 | 0.01 | 0.09 | 0.02 |
| Central Insurance Company Limited | 1,600 | 2,100 | 620 | 3,600 | 720 | 106,407 | 117,216 | 10,809 | 0.02 | 0.00 | 0.02 |
| Century Insurance Company Limited | 5,525 | 19,500 | 5,257 | 9,500 | 20,782 | 913,290 | 738,592 | (174,698) | 0.10 | 0.08 | 0.15 |
| Century Insurance Company Limited - Right | - | - | 8,762 | - | 8,762 | - | 43,019 | 43,019 | 0.01 | 0.03 | 0.01 |
| International General Insurance Limited | 3,568 | 6,000 | 2,392 | 2,400 | 9,560 | 2,221,408 | 2,157,883 | (63,525) | 0.29 | 0.03 | 0.45 |
| New Jubilee Life Insurance Company Limited | 728,000 | 96,500 | - | 89,500 | 735,000 | 21,229,750 | 42,203,700 | 20,973,950 | 5.61 | 1.17 | 8.72 |
| Pakistan Reinsurance Company Limited | - | 85,900 | 22,777 | 80,900 | 27,777 | 2,471,081 | 2,411,321 | (59,760) | 0.32 | 0.05 | 0.50 |
| Premier Insurance Company Limited | - | 20,000 | 1,000 | 21,000 | - | - | - | - | - | - | - |
| American Life Insurance Company Limited - Right | - | 1,005,038 | - | 1,005,038 | - | - | - | - | - | - | - |
| Textile Weaving | | | | | | | | | | | |
| Samin Textiles Limited | - | 5,000 | - | 5,000 | - | - | - | - | - | - | - |
| Zephyr Textile Limited | 71,500 | - | - | - | 71,500 | 757,808 | 349,635 | (408,173) | 0.05 | 0.12 | 0.07 |
| Textile Composite | | | | | | | | | | | |
| Azgard Nine Limited (Preference Shares) | 656,625 | - | - | - | 656,625 | 6,874,127 | 5,253,000 | (1,621,127) | 0.70 | 1.01 | 1.09 |
| Azgard Nine Limited | - | 72,000 | - | 72,000 | - | - | - | - | - | - | - |
| Colony Textile Mills Limited | - | 10,000 | - | 10,000 | - | - | - | - | - | - | - |
| Dawood Lawrencepur Limited | - | 103,600 | 8,000 | 110,871 | 729 | 74,424 | 103,248 | 28,824 | 0.01 | 0.00 | 0.02 |
| Gul Ahmed Textile Mills Limited | 807 | - | - | 807 | - | - | - | - | - | - | - |
| Kohinoor Textile Mills Limited | 15,000 | 11,500 | - | 26,500 | - | - | - | - | - | - | - |
| Nishat Mills Limited | - | 94,300 | - | 83,300 | 11,000 | 1,184,485 | 945,670 | (238,815) | 0.13 | - | 0.20 |
| Artistic Denim Mills Limited | - | 47,400 | - | 47,400 | - | - | - | - | - | - | - |
| Synthetic and Ryon | | | | | | | | | | | |
| Dewan Salman Fibre Limited | - | 30,000 | - | 30,000 | - | - | - | - | - | - | - |
| Jute | | | | | | | | | | | |
| Thal Limited | - | 2,000 | - | 2,000 | - | - | - | - | - | - | - |
| Sugar and Allied Industries | | | | | | | | | | | |
| J.D.W. Sugar Mills Limited | 93,728 | - | 17,145 | 11,000 | 99,873 | 4,667,962 | 7,365,634 | 2,697,672 | 0.98 | 0.27 | 1.52 |
| Tandlianwala Sugar Mills Limited | - | 158,000 | - | 17,000 | 141,000 | 1,899,990 | 1,464,990 | (435,000) | 0.19 | 0.12 | 0.30 |
| Cement | | | | | | | | | | | |
| Al-Abbas Cement Industries Limited | - | 368,500 | - | 368,500 | - | - | - | - | - | - | - |
| Cherat Cement Company Limited | - | 5,000 | - | 5,000 | - | - | - | - | - | - | - |
| D.G.Khan Cement Limited | 5,000 | 481,500 | - | 436,500 | 50,000 | 3,641,232 | 3,357,000 | (284,232) | 0.45 | 0.02 | 0.69 |
| Dewan Cement Limited | - | 75,000 | - | 75,000 | - | - | - | - | - | - | - |
| Fauji Cement Company Limited | 185,000 | 926,450 | - | 380,000 | 731,450 | 12,714,342 | 7,402,274 | (5,312,068) | 0.98 | 0.20 | 1.53 |
| Fecto Cement Limited | - | 8,500 | - | 8,500 | - | - | - | - | - | - | - |
| Flying Cement Company Limited | 10,000 | 140,000 | 4,500 | 154,500 | - | - | - | - | - | - | - |



| | | | | | | | | | | | |
|---|---------|-----------|-------|-----------|-----------|------------|------------|-------------|------|------|------|
| Lucky Cement Company Limited | - | 302,500 | - | 302,500 | - | - | - | - | - | - | - |
| Maple Leaf Cement Limited | 101,375 | 495,000 | - | 227,500 | 368,875 | 7,332,641 | 4,024,426 | (3,308,215) | 0.53 | 0.68 | 0.83 |
| Pakistan Cement Company Limited | - | 175,000 | - | 175,000 | - | - | - | - | - | - | - |
| Pioneer Cement Limited | 491,823 | 148,381 | - | 640,204 | - | - | - | - | - | - | - |
| Pioneer Cement Limited - Right | - | 20,881 | - | 20,881 | - | - | - | - | - | - | - |
| Fauji Cement Company Limited - Right | - | 291,450 | - | 291,450 | - | - | - | - | - | - | - |
| Tobacco | | | | | | | | | | | |
| Pakistan Tobacco Company Limited | - | 7,000 | - | 7,000 | - | - | - | - | - | - | - |
| Refinery | | | | | | | | | | | |
| Attock Refinery Limited | - | 334,100 | 3,750 | 337,850 | - | - | - | - | - | - | - |
| Bosicor Pakistan Limited | 60,000 | 1,854,000 | - | 625,000 | 1,289,000 | 24,480,785 | 17,272,600 | (7,208,185) | 2.30 | 0.33 | 3.57 |
| National Refinery Limited | - | 95,100 | 2,800 | 68,400 | 29,500 | 10,968,177 | 8,775,365 | (2,192,812) | 1.17 | 0.04 | 1.81 |
| Pakistan Refinery Limited | - | 80,400 | 4,600 | 73,600 | 11,400 | 2,708,696 | 1,725,732 | (982,964) | 0.23 | 0.04 | 0.36 |
| Bosicor Pakistan Limited - Right | - | 469,000 | - | 469,000 | - | - | - | - | - | - | - |
| Power Generation and Distribution | | | | | | | | | | | |
| Hub Power Company Limited | - | 172,000 | - | 143,000 | 29,000 | 965,200 | 829,400 | (135,800) | 0.11 | 0.00 | 0.17 |
| Sitara Energy Limited | - | 23,000 | - | 23,000 | - | - | - | - | - | - | - |
| Oil and Gas Marketing Companies | | | | | | | | | | | |
| Attock Petroleum Limited | - | 16,900 | - | 16,900 | - | - | - | - | - | - | - |
| Pakistan State Oil Company Limited | 6,000 | 237,700 | - | 236,700 | 7,000 | 2,973,972 | 2,920,680 | (53,292) | 0.39 | 0.00 | 0.60 |
| Shell Pakistan Limited | 25,275 | 40,500 | - | 27,100 | 38,675 | 17,305,864 | 16,127,475 | (1,178,389) | 2.14 | 0.07 | 3.33 |
| Sui Northern Gas Pipelines Limited | - | 215,000 | - | 175,000 | 40,000 | 2,466,067 | 1,742,800 | (723,267) | 0.23 | 0.01 | 0.36 |
| Sui Southern Gas Company Limited | 244,500 | 266,500 | - | 355,000 | 156,000 | 4,341,496 | 4,377,360 | 35,864 | 0.58 | 0.02 | 0.90 |
| Oil and Gas Exploration Companies | | | | | | | | | | | |
| Mari Gas Company Limited | - | 11,000 | - | 11,000 | - | - | - | - | - | - | - |
| Oil and Gas Development Company Limited | 249,800 | 1,239,200 | - | 1,355,400 | 133,600 | 17,518,127 | 16,614,496 | (903,631) | 2.21 | 0.00 | 3.43 |
| Pakistan Oilfields Limited | 6,000 | 295,200 | - | 291,200 | 10,000 | 3,933,808 | 3,648,400 | (285,408) | 0.48 | 0.01 | 0.75 |
| Pakistan Petroleum Limited | - | 514,000 | - | 466,500 | 47,500 | 12,239,479 | 11,684,525 | (554,954) | 1.55 | 0.01 | 2.41 |
| Engineering | | | | | | | | | | | |
| Crescent Steel and Allied Product Limited | - | 66,300 | - | 66,300 | - | - | - | - | - | - | - |
| Dost Steels Limited | - | 13,500 | - | 13,500 | - | - | - | - | - | - | - |
| Huffaz Seamless Pipe Industries Limited | - | 5,000 | - | 5,000 | - | - | - | - | - | - | - |
| Dadex Eternit Limited | - | 100 | - | 100 | - | - | - | - | - | - | - |
| Automobile Assembler | | | | | | | | | | | |
| Dewan Farooque Motors Limited | - | 121,000 | - | 121,000 | - | - | - | - | - | - | - |
| Indus Motor Company Limited | - | 35,500 | - | 35,500 | - | - | - | - | - | - | - |
| Pak Suzuki Motor Company Limited | - | 15,000 | - | - | 15,000 | 5,633,980 | 1,796,850 | (3,837,130) | 0.24 | 0.02 | 0.37 |
| Honda Atlas Cars (Pakistan) Limited | - | 19,400 | - | 19,400 | - | - | - | - | - | - | - |
| Automobile Parts and Accessories | | | | | | | | | | | |
| Atlas Battery Limited | - | 4,500 | - | 4,500 | - | - | - | - | - | - | - |
| The General Tyre and Rubber Company | 11,000 | 42,500 | - | 53,500 | - | - | - | - | - | - | - |



| | | | | | | | | | | |
|---|---------|-----------|--------|---------|---------|------------|------------|--------------|------|------|
| Cable and Electric Goods | | | | | | | | | | |
| Johnson and Phillips (Pakistan) Limited | - | 7,500 | - | 7,500 | - | - | - | - | - | - |
| Pak Electron Limited | 10,000 | 138,900 | 15,225 | 69,400 | 94,725 | 6,655,980 | 5,304,600 | (1,351,380) | 0.70 | 0.10 |
| Transport | | | | | | | | | | |
| Pakistan National Shipping Corporation | - | 5,000 | - | 5,000 | - | - | - | - | - | - |
| Pakistan International Airlines Corporation Limited | - | 10,000 | - | 10,000 | - | - | - | - | - | - |
| Pakistan International Container Limited | - | 62,000 | - | 62,000 | - | - | - | - | - | - |
| Technology and Communication | | | | | | | | | | |
| Calmate Telips Telecom Limited | 342,221 | 57,000 | - | 40,000 | 359,221 | 20,377,698 | 1,415,331 | (18,962,367) | 0.19 | 0.55 |
| Netsol Technologies Limited | - | 63,500 | - | 63,500 | - | - | - | - | - | - |
| Pakistan Telecommunication Company Limited | - | 447,700 | - | 435,000 | 12,700 | 567,795 | 490,728 | (77,067) | 0.07 | 0.00 |
| Telecard Limited | 200,000 | 155,500 | - | 210,000 | 145,500 | 1,561,578 | 925,380 | (636,198) | 0.12 | 0.05 |
| TRG Pakistan Limited | - | 720,500 | - | 320,500 | 400,000 | 3,974,704 | 2,500,000 | (1,474,704) | 0.33 | - |
| Worldcall Telecom Limited | - | 229,583 | - | 170,000 | 59,583 | 1,035,556 | 865,145 | (170,411) | 0.11 | 0.01 |
| Fertilizers | | | | | | | | | | |
| Engro Chemical Pakistan Limited | 26,000 | 1,052,770 | - | 965,700 | 113,070 | 35,195,202 | 31,751,187 | (3,444,015) | 4.22 | 0.06 |
| Engro Chemical Pakistan Limited - Right | - | 15,877 | - | 6,570 | 9,307 | 1,628,725 | 2,613,499 | 984,774 | 0.35 | 0.00 |
| Fauji Fertilizer Company Limited | 152,087 | 301,200 | - | 453,287 | - | - | - | - | - | - |
| Fauji Fertilizer Bin Qasim Limited | - | 565,900 | - | 505,000 | 60,000 | 2,425,472 | 2,158,200 | (267,272) | 0.29 | 0.01 |
| Pharmaceuticals | | | | | | | | | | |
| Abbot Laboratories (Pakistan) Limited | - | 18,100 | - | 18,100 | - | - | - | - | - | - |
| GlaxoSmithKline Pakistan Limited | 161,806 | 55,100 | 48,051 | 4,700 | 260,257 | 27,269,908 | 44,243,690 | 16,973,782 | 5.88 | 0.15 |
| Highnoon Laboratories Limited | - | 22,500 | - | 19,500 | 3,000 | 190,375 | 169,320 | (21,055) | 0.02 | 0.02 |
| Otsuka Pakistan Limited | 245,000 | 19,500 | - | 3,500 | 261,000 | 11,038,453 | 21,663,000 | 10,624,547 | 2.88 | 2.61 |
| Searle Pakistan Limited | 15,500 | 23,500 | 3,000 | 42,000 | - | - | - | - | - | - |
| Chemicals | | | | | | | | | | |
| BOC Pakistan Limited | 9,000 | 9,200 | - | 18,200 | - | - | - | - | - | - |
| Bawany Air products Limited | - | 58,500 | - | - | 58,500 | 1,164,255 | 906,165 | (258,090) | 0.12 | 0.23 |
| Colgate Palmolive Limited | 2,625 | - | 656 | - | 3,281 | 508,116 | 2,049,936 | 1,541,820 | 0.27 | 0.02 |
| Clariant Pakistan Limited | - | 10,700 | 1,000 | 11,700 | - | - | - | - | - | - |
| ICI Pakistan Limited | - | 149,500 | - | 104,000 | 45,500 | 9,133,426 | 7,342,335 | (1,791,091) | 0.98 | 0.03 |
| Pakistan PTA Limited | 389,500 | 275,000 | - | 125,000 | 539,500 | 3,511,922 | 2,282,085 | (1,229,837) | 0.30 | 0.04 |
| Sitara Peroxide Limited | - | 125,000 | - | 125,000 | - | - | - | - | - | - |
| Paper and Board | | | | | | | | | | |
| Cherat Papersack Limited | - | 8,600 | - | 8,600 | - | - | - | - | - | - |
| Century Paper & Board Mills Limited | 76,600 | 49,100 | 9,510 | 41,100 | 94,110 | 5,572,172 | 4,705,500 | (866,672) | 0.63 | 0.13 |
| Packages Limited | - | 48,400 | - | 48,400 | - | - | - | - | - | - |



Food And Personal Care Products

| | | | | | | | | | | | |
|---|-----------|---------|-------|---------|-----------|------------|------------|--------------|------|------|------|
| Clover Pakistan Limited | 12,480 | - | 2,496 | - | 14,976 | 996,320 | 2,598,336 | 1,602,016 | 0.35 | 0.19 | 0.54 |
| Gillette Pakistan Limited | 2,200 | - | - | - | 2,200 | 126,520 | 293,942 | 167,422 | 0.04 | 0.01 | 0.06 |
| Muree Brewery Company Limited | 25,268 | 400 | 2,566 | - | 28,234 | 1,708,361 | 4,743,030 | 3,034,669 | 0.63 | 0.24 | 0.98 |
| Nestle Pakistan Limited | 9,600 | 400 | - | 200 | 9,800 | 10,842,404 | 16,072,000 | 5,229,596 | 2.14 | 0.02 | 3.32 |
| Unilever Pakistan Limited (Rs.50 per share) | 80 | 40 | - | 120 | - | - | - | - | - | - | - |
| Zulfiqar Industries Limited | 3,400 | - | 340 | - | 3,740 | 325,720 | 572,220 | 246,500 | 0.08 | 0.09 | 0.12 |
| Miscellaneous | | | | | | | | | | | |
| Cinepax Limited* | 50,000 | - | - | - | 50,000 | 500,000 | 500,000 | - | 0.07 | - | 0.10 |
| Ecopack Limited | 1,298,135 | 159,500 | - | 25,000 | 1,432,635 | 48,039,399 | 14,326,350 | (33,713,049) | 1.90 | 6.24 | 2.96 |
| Pace (Pakistan) Limited | - | 207,000 | - | 207,000 | - | - | - | - | - | - | - |
| Siddiqueson Tin Plate Limited | - | 79,000 | - | 4,000 | 75,000 | 2,472,507 | 1,449,000 | (1,023,507) | 0.19 | 0.10 | 0.30 |
| Tri-Pack Films Limited | - | 23,500 | - | 23,500 | - | - | - | - | - | - | - |

Rupees 482,499,823 484,029,741 1,529,918

* The Company has applied to the Karachi Stock Exchange for listing of its securities.

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

| Name of Investee | Profit / Mark-up Rate % | ----- Number of certificates ----- | | | | | As at 30 June 2008 | | | Market Value as percentage of Net Assets |
|---|-------------------------------|------------------------------------|---------------------------------|-----------------------------|-----------------------------------|--------------------------|--------------------|-----------------|------------------------------|--|
| | | As at '01 July 2007 | Purchases during the year | Sales during the year | Redemptions during the year | As at 30 June 2008 | Book value | Market value | Appreciation (Diminution) | |
| | | ----- (Rupees in) ----- | | | | | | | | |
| Al - Zamin Leasing Modaraba - II | 9.50% | 1,000 | - | - | - | 1,000 | 3,400,000 | 3,269,780 | (130,220) | 0.435 |
| Grays Leasing Limited | K+2.5% | 1,000 | - | - | - | 1,000 | 5,000,000 | 5,000,000 | - | 0.664 |
| Escorts Investments Bank Limited | K+2.5% | 1,000 | - | - | - | 1,000 | 4,998,000 | 5,143,942 | 145,942 | 0.684 |
| Allied Bank Limited | K+1.9% | 3,421 | - | 3,421 | - | - | - | - | - | 0.000 |
| Pak Elektron Limited | K+2.5% | 2,000 | - | 2,000 | - | - | - | - | - | 0.000 |
| Telecard Limited | K+3.75% | 3,715 | - | - | - | 3,715 | 12,761,025 | 10,400,235 | (2,360,790) | 1.382 |
| Pace Pakistan Limited | K+1.5% | - | 2,000 | - | - | 2,000 | 10,000,000 | 10,129,000 | 129,000 | 1.346 |
| Saudi Pak Leasing Ccompany Limited | K+1.5% | - | 2,000 | 2,000 | - | - | - | - | - | 0.000 |
| Trust Investment Bank Limited | K+1.85% | - | 5,000 | - | - | 5,000 | 25,000,000 | 25,000,000 | - | 3.322 |
| Trakker Pvt Limited | K+3.5% | - | 50 | - | - | 50 | 4,375,000 | 4,375,000 | - | 0.581 |
| New Allied Electronics Industries Limited | K+2.75% | - | 6,000 | 6,000 | - | - | - | - | - | 0.000 |
| Optimus Limited | K+2.1% | - | 5,000 | - | - | 5,000 | 24,995,000 | 25,077,483 | 82,483 | 3.333 |
| Avaari Hotels Limited | K+3.5% | - | 507 | - | - | 507 | 2,533,333 | 2,533,333 | - | 0.337 |
| Kohat Cement (Sukuk) | K+1.8% | - | 5,000 | - | - | 5,000 | 24,150,000 | 24,205,545 | 55,545 | 3.217 |
| Al - Zamin Leasing Modaraba - (Sukuk) | K+1.9% | - | 5,000 | - | - | 5,000 | 25,000,000 | 25,000,000 | - | 3.322 |
| Pakistan Mobile Communication Limited | K+1.3% | - | 7,000 | - | - | 7,000 | 35,000,000 | 34,853,000 | (147,000) | 4.632 |
| B.R.R. Guardtian Modaraba - (Sukuk) | K+1.3% | - | 5,000 | - | - | 5,000 | 25,000,000 | 25,000,000 | - | 3.322 |
| | | | | | | | 202,212,358 | 199,987,318 | (2,225,040) | |



| | 2008 Rupees | 2007 Rupees |
|-----------------------|-------------------|-------------------|
| 6. PLACEMENTS | | |
| Financial Institution | 25,000,000 | 35,000,000 |
| Modaraba | - | 25,000,000 |
| | <u>25,000,000</u> | <u>60,000,000</u> |

These are clean placements having rate of return of 11 % (2007: 11 % to 14 %) per annum with a maturity date of April 15, 2009.

7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

| | | |
|--|-------------------|------------------|
| Considered good | | |
| Advance Tax | 45,907 | 42,292 |
| Security Deposits | 3,550,000 | 1,050,000 |
| Dividend Income | 771,225 | 1,119,618 |
| Profit on TFC's | 4,255,676 | 1,078,830 |
| Profit on Placements | 7,584 | 1,438,356 |
| Profit on Bank Balances | 105,143 | 55,696 |
| Receivable from Broker | 3,375,000 | 252,962 |
| Receivable from National Clearing Company of Pakistan Ltd. | 2,634,725 | - |
| Income Receivable on CFS investments | - | 516,547 |
| Receivable from Sale of Shares | - | 4,199,676 |
| | <u>14,745,260</u> | <u>9,753,977</u> |

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 54 of NBFC Rules at the rate of 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.

| | 2008 Rupees | 2007 Rupees |
|----------------------|--------------------|--------------------|
| Opening Balance | 3,000,000 | 4,200,000 |
| Paid During the Year | <u>(1,000,000)</u> | <u>(1,200,000)</u> |
| Closing Balance | <u>2,000,000</u> | <u>3,000,000</u> |

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

| | | |
|--|------------------|------------------|
| Payable to Broker Against Purchase of Shares | 5,000 | 1,234,187 |
| Audit Fee | 155,000 | 115,000 |
| Income Tax Payable | 23,622 | 76,863 |
| Commission Payable to Broker | 539,326 | 185,299 |
| Distribution Payable | 836,896 | - |
| Other Payable | 308,475 | 5,000 |
| | <u>1,868,319</u> | <u>1,616,349</u> |

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully Paid Ordinary Certificates of Rs. 10/- each

| 2008 (Number of | 2007 Certificates) | | 2008 | 2007 |
|--------------------|-----------------------|--|--------------------|--------------------|
| 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> |



| | 2008 Rupees | 2007 Rupees |
|---|----------------------|-------------------|
| 14. UNREALIZED (LOSS) / GAIN ON REVALUATION OF INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | |
| Unrealized (Loss)/Gain on Listed Securities | (104,713,914) | 93,166,138 |
| Unrealized (Loss)/Gain on Revaluation of Term Finance Certificates | (859,864) | 1,607,942 |
| | <u>(105,573,778)</u> | <u>94,774,080</u> |

15. LIST OF TOP TEN BROKERS IN ORDER OF PERCENTAGE OF COMMISSION PAID

| Name of Brokers | Percentage of Commission Paid |
|--|-------------------------------------|
| Dawood Equities Limited | 27.65% |
| First National Equities Limited | 16.32% |
| Al-Hoqani Securities & Investment Corporation (Pvt.) Limited | 10.03% |
| Jan Mohd.A.Latif Nini & Sons (Pvt.) Limited | 9.09% |
| Adam Securities (Pvt.) Limited | 9.03% |
| Shehzad Chamadia Securities (Pvt.) Limited | 8.93% |
| Noman Abid & Company Limited | 7.27% |
| Foundation Securities (Pvt.) Limited | 3.87% |
| FDM Capital Securities (Pvt.) Limited | 3.37% |
| Atlas Capital Markets (Pvt.) Limited | 2.38% |

16. AUDITORS REMUNERATION

| | | | |
|----------------------------------|------|----------------|----------------|
| Annual Audit Fee | | 100,000 | 100,000 |
| Half-Year Review | | 40,000 | 40,000 |
| Other Certification and Services | 16.1 | 35,000 | 26,050 |
| | | <u>175,000</u> | <u>166,050</u> |

16.1 This includes Rs. 20,000 for the year ended June 30, 2007 which was not provided previously.

17. EARNINGS PER CERTIFICATE

| | | |
|---|-------------------|--------------------|
| Profit for the Year | <u>35,547,736</u> | <u>156,892,791</u> |
| Weighted Average Certificates Outstanding During the Year | <u>58,075,000</u> | <u>58,075,000</u> |
| Earning Per Certificate - Basic and Diluted | <u>0.61</u> | <u>2.70</u> |



18. TRANSACTIONS WITH CONNECTED PERSONS/RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include 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:

| | 2008 Rupees | 2007 Rupees |
|---|------------------------------|------------------------------|
| Associated Companies | | |
| Balance at the Beginning of the Year | 10,000,000 | 25,000,000 |
| Placements During the Year | 191,000,000 | 85,000,000 |
| Maturities of Placements During the Year | (176,000,000) | (100,000,000) |
| Balance at the End of the Year | <u>25,000,000</u> | <u>10,000,000</u> |
| Investment Advisor | | |
| Balances at the Beginning of the Year | 22,357,429 | 22,488,671 |
| Remuneration for the Year | 24,112,571 | 19,357,429 |
| Reimbursement of Formation & Floatation Cost During the Year | (1,000,000) | (1,200,000) |
| Remuneration Paid During the Year | (41,640,347) | (18,288,671) |
| Balances at the End of the Year | <u>3,829,653</u> | <u>22,357,429</u> |
| Trustee | | |
| Balances at the Beginning of the Year | 88,751 | 81,237 |
| Remuneration for the Year | 1,117,971 | 990,004 |
| Remuneration Paid During the Year | (1,118,996) | (982,490) |
| Balances at the End of the Year | <u>87,726</u> | <u>88,751</u> |
| Other Related Parties | | |
| Balances at the Beginning of the Year | 224,842 | - |
| Brokerage Expense Incurred During the Year | 4,464,921 | 2,502,009 |
| Brokerage Paid During the Year | (4,143,925) | (2,277,167) |
| Balances at the End of the Year | <u>545,838</u> | <u>224,842</u> |
| Payable Against Purchase of Shares | - | 318,087 |



The transactions with related party 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.

19. RISK MANAGEMENT

The Fund primarily invests in listed equities and debt securities, continuous funding system transactions and placements. Such investments/placements are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

19.1 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 Advisor 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.

19.2 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 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 Advisor. The Investment Advisor 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. 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.

19.3 Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Investment Advisor 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.

19.4 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 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, money market instruments, short maturity reverse repurchase transactions and continuous funding system.



19.5 Market Rate of Return (MROR) Sensitivity Position

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

| | Effective rate (%) per annum | 2008 | | | Not exposed to MROR risk | Total |
|---|------------------------------------|----------------------|--|-----------------------|-----------------------------|-------------|
| | | Exposed to MROR risk | | | | |
| | | 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 | - | - | - | - | 14,699,353 | 14,699,353 |
| | | 60,294,516 | - | 199,987,318 | 498,729,094 | 759,010,928 |
| 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 | - | - | - | - | (1,844,697) | (1,844,697) |
| | | - | - | - | (6,565,931) | (6,565,931) |
| On-Balance Sheet Gap | | 60,294,516 | - | 199,987,318 | 492,163,163 | 752,444,997 |

| | Effective rate (%) per annum | 2007 | | | Not exposed to MROR risk | Total |
|---|------------------------------------|----------------------|--|-----------------------|-----------------------------|--------------|
| | | Exposed to MROR risk | | | | |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| Financial Assets | | | | | | |
| Bank Balances | 4 - 9 | 15,515,460 | - | - | - | 15,515,460 |
| Receivables against Continuous Funding System | 10 - 19 | 207,152,955 | - | - | - | 207,152,955 |
| Investments | 9.5 - 14.19 | - | - | 54,963,105 | 452,316,821 | 507,279,926 |
| Placements | 11 - 14 | 60,000,000 | - | - | - | 60,000,000 |
| Advances, Deposits and Other Receivables | - | - | - | - | 9,711,685 | 9,711,685 |
| | | 282,668,415 | - | 54,963,105 | 462,028,506 | 799,660,026 |
| Financial Liabilities | | | | | | |
| Remuneration Payable to Investment Advisor | - | - | - | - | (19,357,429) | (19,357,429) |
| Remuneration Payable to Trustee | - | - | - | - | (88,751) | (88,751) |
| Annual Fee Payable to SECP | - | - | - | - | (645,244) | (645,244) |
| Preliminary Expenses Payable to the Investment Advisor | - | - | - | - | (3,000,000) | (3,000,000) |
| Creditors, Accrued and Other Liabilities | - | - | - | - | (1,539,486) | (1,539,486) |
| | | - | - | - | (24,630,910) | (24,630,910) |
| On-Balance Sheet Gap | | 282,668,415 | - | 54,963,105 | 437,397,596 | 775,029,116 |



20. 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.

21. ACCOUNTING ESTIMATES AND JUDGMENTS

21.1 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.

21.2 Other Assets

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

| 22. PERFORMANCE TABLE | 2008 | 2007 | 2006 | From 28 January 2005 to 30 June 2005 |
|--------------------------------------|-------|-------|-------|---|
| Net Asset Value (Rupees in '000,000) | 752 | 775 | 618 | 505 |
| Net Income (Rupees in '000,000) | 36 | 157 | 113 | 5 |
| Net Asset Value Per Certificate | 12.96 | 13.34 | 12.24 | 10.10 |
| Earning Per Certificate (Rupees) | 0.61 | 2.77 | 1.95 | 1.95 |
| Dividend/Bonus Distribution (%) | - | 10.00 | 15.00 | 1.00 |

23. PARTICULARS OF FUND MANAGER

| Name of Fund Manager | Qualification | Names of Other Funds Managed |
|----------------------|---------------|--|
| Mr. M. Ahmad | B . Com | No Other Fund is being managed by Mr. M. Ahmed |



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

| Name of Member | Qualification | Experience |
|-----------------------|---------------|------------|
| Miss Tara Uzra Dawood | J.D | 8 Years |
| Mr. Shahid Usman | ACMA | 13 Years |
| Mr. M.Ahmed | B . Com | 16 Years |

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

| Name of Director | Held | Attended | Leave Granted |
|---------------------------------------|------|----------|---------------|
| Mr. Feroze Sayeed-ud-Deane | 5 | 3 | 2 |
| Miss Tara Uzra Dawood | 5 | 4 | 1 |
| Mr. Nazimuddin Feroz | 5 | 5 | 0 |
| Mr. Hasib Ahmed * | 4 | 0 | 4 |
| Mr. Iftikhar Hussain ** | 1 | 1 | 0 |
| Mr. Gul Nawaz | 5 | 4 | 1 |
| Mr. Anwar A. Shaikh | 5 | 2 | 3 |
| Mr. AVM (Retired) Zulfiqar Ahmed Shah | 5 | 4 | 1 |

* Resigned during the year

** Appointed during the year

26. PATTERN OF CERTIFICATE HOLDINGS

| Category | No. of Certificate Holders | Certificates Held | % of Total |
|----------------------------------|----------------------------|-------------------|------------|
| Individuals | 640 | 11,126,004 | 19.16 |
| Associated Companies / Directors | 3 | 10,969,356 | 18.89 |
| Insurance Companies | 2 | 185,900 | 0.32 |
| Banks / DFIs | 12 | 22,241,727 | 38.30 |
| Public Limited Companies | 20 | 8,050,714 | 13.86 |
| Others | 6 | 5,501,299 | 9.47 |
| | 683 | 58,075,000 | 100 |

27. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Investment Advisor have approved cash dividend at 2% for the year ended June 30, 2008. (2007: cash dividend at 10 %) These financial statements do not reflect this proposed issue.



28. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on September 25, 2008 by the Board of Directors of the Investment advisor.

29. 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 | Reason |
|----------------------------------|--------------|---------------|------------------------|
| Brokerage and Settlement Charges | Bank Charges | 41,447 | Disclosure Requirement |

30. 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 30, JUNE ,2008

| No. of Certificate Holders | Certificate Holding | | Total Certificate Held |
|-------------------------------|---------------------|---------|---------------------------|
| | From | To | |
| 102 | 1 | 100 | 3,608 |
| 57 | 101 | 500 | 19,954 |
| 165 | 501 | 1000 | 111,736 |
| 159 | 1001 | 5000 | 424,395 |
| 66 | 5001 | 10000 | 536,720 |
| 19 | 10001 | 15000 | 240,425 |
| 25 | 15001 | 20000 | 463,989 |
| 15 | 20001 | 25000 | 357,500 |
| 4 | 25001 | 30000 | 113,650 |
| 4 | 35001 | 40000 | 154,000 |
| 6 | 40001 | 45000 | 253,500 |
| 2 | 45001 | 50000 | 100,000 |
| 5 | 55001 | 60000 | 291,225 |
| 3 | 60001 | 65000 | 184,450 |
| 1 | 65001 | 70000 | 69,750 |
| 2 | 70001 | 75000 | 149,500 |
| 2 | 75001 | 80000 | 152,900 |
| 1 | 85001 | 90000 | 85,500 |
| 1 | 95001 | 100000 | 100,000 |
| 2 | 105001 | 110000 | 218,500 |
| 2 | 115001 | 120000 | 232,300 |
| 2 | 120001 | 125000 | 249,875 |
| 3 | 145001 | 150000 | 446,000 |
| 2 | 195001 | 200000 | 400,000 |
| 1 | 200001 | 205000 | 204,000 |
| 1 | 220001 | 225000 | 223,500 |
| 1 | 230001 | 235000 | 234,000 |
| 1 | 245001 | 250000 | 247,500 |
| 1 | 320001 | 325000 | 325,000 |
| 1 | 425001 | 430000 | 427,800 |
| 1 | 490001 | 495000 | 490,775 |
| 1 | 495001 | 500000 | 499,500 |
| 5 | 580001 | 585000 | 2,903,750 |
| 1 | 595001 | 600000 | 598,698 |
| 1 | 755001 | 760000 | 760,000 |
| 1 | 810001 | 815000 | 814,469 |
| 1 | 845001 | 850000 | 846,281 |
| 2 | 1040001 | 1045000 | 2,082,250 |
| 1 | 1100001 | 1105000 | 1,101,500 |
| 1 | 1130001 | 1135000 | 1,130,150 |
| 3 | 1160001 | 1165000 | 3,484,500 |
| 1 | 1185001 | 1190000 | 1,185,100 |
| 1 | 1455001 | 1460000 | 1,455,100 |
| 1 | 1545001 | 1550000 | 1,546,075 |
| 1 | 1610001 | 1615000 | 1,613,773 |
| 1 | 1740001 | 1745000 | 1,742,250 |
| 1 | 2405001 | 2410000 | 2,406,550 |
| 1 | 2880001 | 2885000 | 2,884,250 |
| 1 | 3480001 | 3485000 | 3,484,500 |
| 1 | 3515001 | 3520000 | 3,519,809 |
| 1 | 3630001 | 3635000 | 3,634,559 |
| 1 | 5260001 | 5265000 | 5,262,059 |
| 1 | 7605001 | 7610000 | 7,607,825 |
| 686 | | | 58,075,000 |



CATEGORIES OF CERTIFICATE HOLDERS AS AT 30 JUNE 2008

Categories of Certificate Holders

| Particulars | Number of Share Holders | Total Share Held | Percentage % |
|------------------------|-------------------------|-------------------|---------------|
| Associated Companies | 3 | 10,969,356 | 18.89 |
| Financial Institutions | 12 | 22,241,727 | 38.30 |
| Individual | 640 | 11,126,004 | 19.16 |
| Insurance Companies | 2 | 185,900 | 0.32 |
| Investment Companies | 2 | 135,000 | 0.23 |
| Joint Stock Companies | 15 | 6,243,273 | 10.75 |
| Modaraba Companies | 4 | 761,160 | 1.31 |
| Others | 8 | 6,412,580 | 11.04 |
| | 686 | 58,075,000 | 100.00 |

PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30, 2008

| 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 | | | |
| | Tara Uzra Dawood | | 11,615 | 0.02 |
| 3 | Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds | 43 | 38,384,282 | 66.09 |
| 4 | Certificate Holders holding ten percent or more in the Company | | | |
| | Dawood Capital Management | | 8,792,925 | 15.14 |