

2007

Annual Report



FIRST DAWOOD MUTUAL FUND



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CORPORATE INFORMATION

Investment Advisor

Registered Office

Dawood Capital Managements
1500-A Saima Trade Towers
I. I. Chundrigar Road
Karachi 74000

UAN : 111-DAWOOD (111-329-663)
PABX : (92-21) 227-1874/87
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. Hasib Ahmed | Director | (Nominee of ADB) |
| | Mr. Nazimuddin Feroz | Director | (Nominee of BRRI) |
| | Mr. Gul Nawaz | Director | (Nominee of NIT) |
| | Mr. Anwar A. Shaikh | Director | |
| | Mr. AVM (Retd.) 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 (Retd.) Zulfiqar Ahmed Shah | Chairman |
| | Miss Tara Uzra Dawood | Member |
| | Mr. Anwar A. Shaikh | Member |

Auditors KPMG Taseer Hadi & Co.
Chartered Accountants
1st Floor, Sheikh Sultan Trust Building No.2
Beaumont Road, Karachi.

Tax Advisor Anjum Asim Shahid Rehman
3rd Floor, Modern Motors House
Beaumont Road, Karachi.

Legal Advisor Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-cl-10
Beaumont Road, Karachi.

Bankers Habib Metropolitan Bank Limited
Saudi Pak Commercial Bank Limited

Registrar F. D. Registrar Services (SMC Pvt.) Ltd.
1500 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

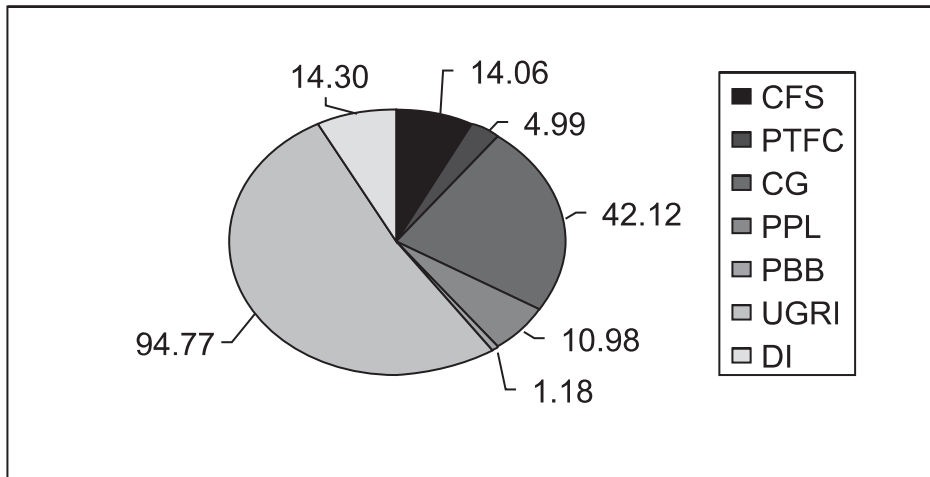


REPORT OF THE DIRECTORS' OF THE INVESTMENT ADVISOR

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, 2007.

Fund Performance

As at June 30, 2007, net assets were Rs. 775 million as compared to Rs. 618 million as at June 30, 2006, an increase of 25.40% over the preceding year. The net income before distribution for the financial year 2006-07 was Rs. 157 million, as against Rs. 113 million last year, an increase of 39% over the preceding 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 10% for the year ended June 30, 2007.



- CFS* = Continuous Funding System
- PTFC* = Profit on Term Finance Certificates
- CG* = Capital Gain
- PPL* = Profit on Placement
- PBB* = Profit on Bank Balances
- UGRI* = Unrealized Gain on Re-measurement of Investment
- DI* = Dividend Income

Earnings per Certificate

Earnings per certificate for the period from July 01, 2006 to June 30, 2007 are Rs. 2.70 per certificate as compare to last years' earning of 1.95.

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.

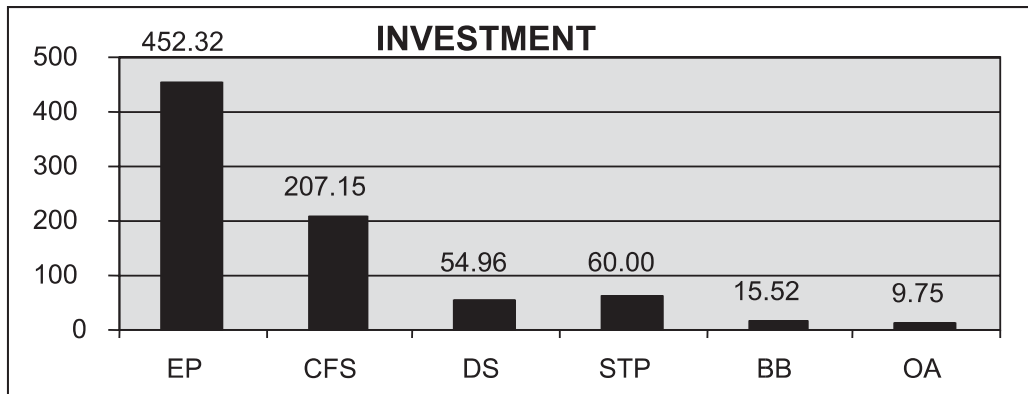


Investing Activities/Strategy

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, 2007, the Fund has made investments of Rs. 452 million mostly in strong dividend payout and blue chip scripts representing 58% of total 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 14%, Insurance 31%, Chemicals, Fertilizer and Pharmaceuticals 17%, Oil & Gas sector 11% and Cement 6%. Break-up of total assets of the Fund are follows:



- EP** = Equity Portfolio
- CFS** = Continuous Funding System
- DS** = Debt Securities
- STP** = Short-Term Placements
- BB** = Bank Balance
- OA** = Other Assets

(Rupees in Million)

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

While solid pace of economic expansion this year was underscored by the macro economic policies pursued by the government, Pakistan has also benefited from the buoyant global economic environment undeterred by the rising and volatile energy prices. The global economy continued its strong expansion, becoming geographically more broad-based, and global growth is expected to remain strong over the near term. Inflation and inflationary expectations remained well contained but there is no room for complacency as there are downside risks, including those related to continued high and volatile oil prices, and abrupt tightening of global financial conditions, and a rise in protectionism.

Performance of the Pakistan economy

The real GDP growth of Pakistan's economy is 6.6 percent against the target of 7 percent was led by growth in services and manufacturing sectors. Services sector showed a strong performance at 8.8 percent but the manufacturing sector grew by only 8.6 percent against the target of 12.6 percent mainly due to decline in growth of large scale manufacturing sector to 9 percent as against target of 14.5 percent last year. A major adverse economic indicator that has somewhat marred last two years' remarkable performance is the steep rise in the inflation. While the economic growth may have brought enormous prosperity and riches to the few, the overwhelmingly large number of people living below the poverty line and lower middle income people has been rendered poorer owing to growing inflation that, even as per the government's own admission, is estimated to be 8 percent. This rate, when seen in the perspective previous year's inflation 9.3 percent, clearly reflect continuing escalation in cost of living compared to most other emerging markets.

Market Outlook and Prospects

The economy is showing some mixed signs, but the Stock Market continues to remain buoyant. In year 2006-07 the KSE-100 index touch its high at 13,772.46 on June 29, 2007 and its low at 9504.47 on July 10, 2006. However, the KSE-100 index crossed the barrier of 13,000 marks for the first time in the history of Karachi Stock Exchange. This is only due to continued interest of foreign investors' and financial institutions at August Index level, a consistent increase in the business volumes creates a healthy atmosphere.

Insurance, Banks and Financial Institutions, Transport and Communication and Cement sectors were the trend setters in the stock market during the current fiscal year.

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 except as stated here under:

| CEO/Director | Purchased | Bonus | Sale |
|-----------------------|-----------|-------|------|
| Miss Tara Uzra Dawood | - | 1,515 | - |

Changes in Directors

Since the last report, there have been changes in the composition of the Board of the management company due to election of directors were conducted on March 22, 2007 for a three year term. Mr. Shah Faisal and Mr. Safdar Rashid have retired and Mr. AVM (Retd.) Zulfiqar Ahmed Shah and Mr. Nazimuddin Feroz elected as Directors in their place.

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

Currently, the Company has Seven Directors on its Board.

Board of Directors Meetings

During the year 2006-07 five (5) meetings of the Board of Directors of the management company were held, the requisite details are as under:

| S. no | Name | Designation | Entitlement to Attend Meeting | Leave of Absences |
|-------|-------------------------------|-----------------|-------------------------------|-------------------|
| 1. | Mr. Feroze Sayeed-ud-Deane | Chairman | 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 | 5 | 3 |
| 6. | Mr. AVM (Retd.) Zulfiqar Shah | Director | 1 | - |
| 7. | Mr. Nazimuddin Feroz | Director | 1 | 1 |
| 8. | Mr. Shah Faisal | Director | 4 | 1 |
| 9. | Mr. Safdar Rashid | Director | 4 | 2 |



Audit Committee

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

| | |
|-------------------------------------|----------|
| Mr. AVM (Retd.) Zulfiqar Ahmed Shah | Chairman |
| Mr. Anwar A. Sheikh | Member |
| Miss Tara Uzra Dawood | 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

M/s KPMG Taseer Hadi & Co., Chartered Accountants have been auditors of FDMF since inception of the fund in the year 2005. As Rule 59(b) of NBFC Rules 2003 prescribes a mandatory rotation of auditors after three consecutive years, the current auditors are not eligible for reappointment. Therefore, based on the recommendation of the Audit Committee of the Board of Directors M/s BDO Ebrahim & Co., Chartered Accountant has been appointed as auditors for the next year. The Board would like to express their appreciation for the services rendered by M/s KPMG Taseer Hadi & Co., Chartered Accountant over the three year period.

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, 2007 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 shareholders to further enhance the value of their investment in the Company.

Karachi
September 5, 2007

For and on behalf of the Board,

Feroze Sayeed-ud-Deane
Chairman



REPORT OF THE TRUSTEE

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

First Dawood Mutual Fund, a closed-end scheme was established under a trust deed executed between Dawood Capital Management Limited as the Investment Advisor and Central Depository Company of Pakistan Limited as Trustee on December 8, 2004. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on January 28, 2005.

In our opinion, Dawood Capital Management Limited, the Investment Advisor of First Dawood Mutual Fund has in all material respects managed First Dawood Mutual Fund during the year ended June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

For the purpose of information, the attention of the Certificate Holders is drawn towards the note 3.1 of the audited financial statements where in it is specified that during the year the fund changed the valuation basis of its investment in term finance certificates from broker quotes to rates prevailing on the stock exchange.

September 21, 2007
Kartachi

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



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2007

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 including his remuneration and terms and conditions of employment as determined by the Chief Executive Officer. Appointment of Chief Financial Officer did not take place during the year.
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 Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the board.



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13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
 14. The Company has complied with all the corporate and financial reporting requirements of the Code.
 15. The Board 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 Company 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 shares of the Company 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 5, 2007

On Behalf of the Board of Directors
Dawood Capital Management Limited

Tara Uzra Dawood
Chief Executive Officer



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

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Fax + 92 (21) 568 5095
Internet www.kpmg.com.pk

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

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Investment Advisor of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to 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 our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 30 June 2007.

Karachi :

September 5, 2007

KPMG Taseer Hadi & Co.
Chartered Accountants



KPMG Taseer Hadi & Co.

Chartered Accountants
First Floor
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi 75530 Pakistan

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Internet www.kpmg.com.pk

INDEPENDENT AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of First Dawood Mutual Fund, which comprise the statement of assets and liabilities as at 30 June 2007, and the income statement, distribution statement, cash flow statement and statement of movement in equity and reserves for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Investment Advisor's responsibility for the financial statements

Investment advisor (Dawood Capital Management Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) 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.

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2007, 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.

Karachi :

September 5, 2007

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007

| | Note | 2007 | 2006 (Restated) |
|--|---------------|--------------------|--------------------|
| ASSETS | | | |
| Bank Balances - Savings Accounts | | 15,515,460 | 20,806,852 |
| Receivables Against Continuous Funding System | 4 | 207,152,955 | 56,089,430 |
| Investments | 5 | 507,279,927 | 478,533,036 |
| Placements | 6 | 60,000,000 | 80,000,000 |
| Advances, Deposits and Other Receivables | 7 | 9,753,977 | 8,125,164 |
| Total Assets | | 799,702,319 | 643,554,482 |
| LIABILITIES | | | |
| Remuneration Payable to Investment Advisor | 8 | 19,357,429 | 18,288,671 |
| Remuneration Payable to Trustee | 9 | 88,751 | 81,237 |
| Annual Fee Payable to SECP | 10 | 645,244 | 609,624 |
| Preliminary Expenses Payable to Investment Advisor | 11 | 3,000,000 | 4,200,000 |
| Creditors, Accrued and Other Liabilities | 12 | 1,616,349 | 2,273,195 |
| Total Liabilities | | 24,707,773 | 25,452,727 |
| Net Assets | Rupees | 774,994,546 | 618,101,755 |
| Certificate Holder's Equity | | | |
| Issued, Subscribed and Paid-Up Capital | 13 | 580,750,000 | 505,000,000 |
| Unappropriated Profit | Rupees | 194,244,546 | 113,101,755 |
| | | 774,994,546 | 618,101,755 |

The annexed notes 1 to 23 form an integral part of these financial statements.

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

Tara Uzra Dawood
Chief Executive Officer

Gul Nawaz
Director

Nazimuddin Feroz
Director



INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 | 2006 |
|--|-----------|---------------------------|---------------------------|
| INCOME | | | |
| Capital Gain on Sale of Investment | | 42,121,341 | 75,803,095 |
| Income from Carry Over Transactions | | - | 3,405,651 |
| Income from Continuous Funding System | | 14,059,634 | 16,306,037 |
| Profit on Term Finance Certificates | | 4,992,936 | 2,880,077 |
| Income from Placements | | 10,976,639 | 8,047,800 |
| Dividend Income | | 14,299,520 | 14,485,733 |
| Profit on Bank Balances | | 1,183,138 | 1,226,260 |
| | | <u>87,633,208</u> | <u>122,154,653</u> |
| Unrealised Gain on Revaluation of Investments Classified as Financial Assets at Fair Value through Profit or Loss | 14 | 94,774,080 | 16,837,000 |
| Total Income | | 182,407,3288 | 138,991,653 |
| EXPENSES | | | |
| Remuneration of Investment Advisor | | 19,357,429 | 18,288,671 |
| Remuneration of Trustee | | 990,004 | 962,702 |
| Annual fee of SECP | | 645,244 | 609,624 |
| Brokerage and Settlement Charges | | 3,672,073 | 5,397,199 |
| Auditors' Remuneration | 15 | 166,050 | 124,000 |
| Fee and Subscription | | 618,422 | 483,702 |
| Legal and Professional Charges | | 65,275 | 24,000 |
| Total Expenses | | 25,514,497 | 25,889,898 |
| Net Income for the Year | Rupees | <u>156,892,791</u> | <u>113,101,755</u> |
| Earning per Certificate | 16 Rupees | <u>2.70</u> | <u>1.95</u> |

The annexed notes 1 to 23 form an integral part of these financial statements.

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

Tara Uzra Dawood
Chief Executive Officer

Gul Nawaz
Director

Nazimuddin Feroz
Director



**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

| | 2007 | 2006 |
|---------------------------------------|----------------------------------|--------------------|
| Unappropriated Income Brought Forward | 113,101,755 | 5,000,000 |
| Issue of Bonus Certificates | (75,750,000) | (5,000,000) |
| Net Income For The Year | <u>156,892,791</u> | <u>113,101,755</u> |
| Unappropriated Income Carried Forward | Rupees <u>194,244,546</u> | <u>113,101,755</u> |

The annexed notes 1 to 23 form an integral part of these financial statements.

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

Tara Uzra Dawood
Chief Executive Officer

Gul Nawaz
Director

Nazimuddin Feroz
Director



**STATEMENT OF MOVEMENT IN EQUITY AND RESERVE
FOR THE YEAR ENDED 30 JUNE 2007**

| | 2006 | 2005 |
|---|---------------------|--------------|
| Face Value of Certificate | 10.00 | 10.00 |
| Capital Gain on Sale of Securities | 0.73 | 1.31 |
| Income from Carry Over Transactions | - | 0.06 |
| Income from Continuous Funding System | 0.24 | 0.28 |
| Profit on Term Finance Certificates | 0.09 | 0.05 |
| Income from Placements | 0.19 | 0.14 |
| Dividend Income | 0.25 | 0.25 |
| Profit on Bank Balances | 0.02 | 0.01 |
| Other Net Operating Expenses | (0.44) | (0.44) |
| | <u>11.08</u> | <u>11.66</u> |
| Unrealised Gain on Revaluation of Investments | | |
| Classified as Financial Assets at Fair Value through Profit or Loss | 1.62 | 0.29 |
| | <u>12.70</u> | <u>11.95</u> |
| | Rupees | |

The annexed notes 1 to 23 form an integral part of these financial statements.

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

Tara Uzra Dawood
Chief Executive Officer

Gul Nawaz
Director

Nazimuddin Feroz
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 | 2006 |
|---|--------------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit for the Year | 156,892,791 | 113,101,755 |
| Adjustments: | | |
| Income on Carry Over Transactions | - | (3,405,651) |
| Income on Continuous Funding System | (14,059,634) | (16,306,037) |
| Profit on Term Finance Certificates | (4,992,936) | (2,880,077) |
| Income on Placements | (10,976,639) | (8,047,800) |
| Dividend Income | (14,299,520) | (14,485,733) |
| Profit on Bank Balances | (1,183,138) | (1,226,260) |
| Adjustments for Non-Cash Items: | | |
| Unrealised Gain on Revaluation of Investments classified as Financial Assets at Fair Value through Profit or Loss | (94,774,080) | (16,837,000) |
| Profit before Working Capital Changes | <u>16,606,844</u> | <u>49,913,197</u> |
| (Increase)/Decrease in Assets | | |
| Investments | 66,027,189 | (204,882,684) |
| Placements | 20,000,000 | (15,000,000) |
| Receivable Against Carry Over Transactions | - | 174,063,215 |
| Receivable Against Continuous Funding System | (151,063,525) | (56,089,430) |
| Other Receivables | (310,454) | 2,216,889 |
| | <u>(65,346,790)</u> | <u>(99,692,010)</u> |
| (Decrease)/Increase in Liabilities | | |
| Remuneration of Investment Advisor | 1,068,758 | 13,491,593 |
| Remuneration of Trustee | 7,514 | 8,202 |
| Annual fee of SECP | 35,620 | 446,828 |
| Preliminary Expenses Payable | (1,200,000) | (800,000) |
| Creditors, Accrued and Other Liabilities | (656,846) | (29,921,021) |
| | <u>(744,954)</u> | <u>(16,774,398)</u> |
| Cash Used in Operations | <u>(49,484,900)</u> | <u>(66,553,211)</u> |
| Profit Received on Term Finance Certificates | 4,191,906 | 2,871,806 |
| Income Received on Placements | 10,460,749 | 7,345,881 |
| Dividend Income Received | 14,617,930 | 16,571,405 |
| Profit Received on Bank Balances | 1,275,489 | 1,196,246 |
| Net Cash Out Flow from Operating Activities | <u>(18,938,826)</u> | <u>(38,567,873)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Income Received on Carry Over Transactions | - | 3,405,651 |
| Income Received on Continuous Funding System | 13,647,434 | 16,201,690 |
| Net cash inflow from financing Activities | <u>13,647,434</u> | <u>19,607,341</u> |
| Net Decrease in Cash and Cash Equivalents | (5,291,392) | (18,960,532) |
| Cash and Cash Equivalents at Beginning of the Year | 20,806,852 | 39,767,384 |
| Cash and Cash Equivalents at End of the Year | Rupees <u>15,515,460</u> | <u>20,806,852</u> |

The annexed notes 1 to 23 form an integral part of these financial statements.

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

Tara Uzra Dawood
Chief Executive Officer

Gul Nawaz
Director

Nazimuddin Feroz
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. LEGAL STATUS AND NATURE OF BUSINESS

First Dawood Mutual Fund (FDMF) was established under the Trust Deed between Dawood Capital Management Limited (DCM) as Investment Advisor and Central Depository Company of Pakistan Limited (CDC) as Trustee on 8 December 2004. Formation of FDMF as closed end fund was authorized by Securities and Exchange Commission of Pakistan (SECP) on 28 January 2005. The Investment Adviser of FDMF has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). FDMF is listed on Karachi Stock Exchange. The certificates of FDMF were offered for public subscription from 21 March 2005 to 22 March 2005. FDMF started its investing activities from 25 February 2005. The registered office of the management company is situated at the 1500-A, Saima Trade Centre, I. I. Chundrigar Road, Karachi, Pakistan.

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.)

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.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except that certain financial assets are included at fair value.



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 Use of Estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, 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 19 and 20 to these financial statements.

2.5 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures in certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments relating to Capital Disclosures
- IAS 23 - Borrowing Costs - Amendments relating to mandatory capitalisation of borrowing costs relating to qualifying assets
- IAS 41 - Agriculture
- 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;
- IFRIC 10 Interim Financial Reporting and Impairment;
- IFRIC 11 Group and Treasury Share Transactions;
- IFRIC 12 Service Concession Arrangements.
- IFRIC 13 Customer Loyalty Programmes.
- IFRIC 14 Defined Benefit Assets and Minimum Funding Requirements.

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 recognised 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 require delivery within the time frame established by regulation or market convention such as 'T+3' purchases and sales are recognised 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 purchase.

The Fund classifies its investments in the following categories:

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

After initial recognition, the above investments, are remeasured at fair value determined with reference to the rates prevailing in the relevant stock exchanges, where applicable. Gains or losses on investments on remeasurement of these investments are recognised 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 recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value which is the quoted price. Derivatives with positive market values (unrealised gains) are included in assets and derivatives with negative market values (unrealised 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

Transactions of purchase under resale (reverse-repo) of marketable and government securities, including the securities purchased under 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 recognised in the statement of assets and liabilities. Amount paid under these agreements are recognised 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 realised or unrealised, 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 unutilised tax losses to the extent that these will be available for set off against future taxable profits.

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

Unrealised 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 recognised when the right to receive the dividend is established.

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

3.6 Expenses

All expenses including investment advisor fee and trustee fee are recognised 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

3.8 Provisions

Provisions are recognised 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 recognised 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 amortised cost as the case may be. The Fund derecognises 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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 10% to 19% per annum (2006: 12.5% to 18%), with maturities ranging from overnight to 22 (2006: 30) working days. Fair value of the collaterals accepted against the above receivable balance as at 30 June 2007 amounted to Rs. 202.14 million (2006: Rs. 63.472 million).

5. INVESTMENTS

| | | 2007 | 2006 |
|--|--------|--------------------|--------------------|
| <i>Financial Assets At Fair Value Through Profit or Loss</i> | | | |
| - Held for Trasing | 5.1 | 452,316,822 | 457,247,781 |
| - Initially Designated at Fair Value | 5.3 | 54,963,105 | 21,285,255 |
| | Rupees | <u>507,279,927</u> | <u>478,533,036</u> |

5.1 Held-for-Trading

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

| Sector Scrips | Opening Balance | Purchase | Bonus / Right | Sold | Closing | Cost | Market Value | Appreciation/ (Diminution) | Percentage in relation to | | |
|---|-----------------|----------|---------------|---------|---------|-----------|--------------|----------------------------|--|---|---|
| | | | | | | | | | Net Assets of the Fund (with Market Value of Investment) | Paid Up Capital of Investee Company (with Face Value of Investment) | Total Market Value (Carrying Value of Investment) |
| <i>Quoted</i> | | | | | | | | | | | |
| <i>Modarabas</i> | | | | | | | | | | | |
| B.R.R. International Modaraba | - | 205,500 | - | 205,500 | - | - | - | - | - | - | - |
| First Equity Modaraba | 10,000 | 20,000 | - | 30,000 | - | - | - | - | - | - | - |
| <i>Leasing Companies</i> | | | | | | | | | | | |
| Orix Leasing Pakistan Limited | - | 42,500 | - | 5,000 | 37,500 | 955,368 | 1,115,625 | 160,257 | 0.14 | 0.054 | 0.25 |
| Union Leasing Corporation Limited | 52,500 | 5,500 | - | 58,000 | - | - | - | - | - | - | - |
| <i>Investment Banks / Companies</i> | | | | | | | | | | | |
| Arif Habib Limited | - | 10,000 | - | 10,000 | - | - | - | - | - | - | - |
| Arif Habib Securities Limited | 30,000 | 46,500 | 193,105 | 91,500 | 178,105 | 9,014,534 | 20,767,043 | 11,752,509 | 2.68 | 0.059 | 4.59 |
| First National Equities Limited | 218,000 | 120,500 | - | 143,500 | 195,000 | 7,320,471 | 7,332,000 | 11,529 | 0.95 | 0.390 | 1.62 |
| Jawed Omer Vohra & Company Limited | 15,000 | 18,500 | - | 33,500 | - | - | - | - | - | - | - |
| JS Abamco Limited | - | 12,500 | - | 2,500 | 10,000 | 750,300 | 739,000 | (11,300) | 0.10 | 0.010 | 0.16 |
| Jahangir Siddiqui Investment Bank Limited | 37,100 | 16,400 | - | 53,500 | - | - | - | - | - | - | - |
| Orix Investment Bank Limited | 16,600 | 30,000 | - | 22,000 | 24,600 | 553,592 | 536,280 | (17,312) | 0.07 | 0.068 | 0.12 |
| Pakistan Industrial Credit & Investment Corporation | 328,948 | 376,500 | 52,894 | 758,342 | - | - | - | - | - | - | - |



| Sector Scripts | Opening Balance | Purchase | Bonus / Right | Sold | Closing | Cost | Market Value | Appreciation/ (Diminution) | Percentage in relation to | | | |
|--|-----------------|----------|---------------|---------|-----------|------------|--------------|----------------------------|--|---|---|---|
| | | | | | | | | | Net Assets of the Fund (with Market Value of Investment) | Paid Up Capital of Investee Company (with Face Value of Investment) | Total Market Value (Carrying Value of Investment) | |
| Commercial Banks | | | | | | | | | | | | |
| Allied Bank Limited | - | 28,000 | - | 28,000 | - | - | - | - | - | - | - | - |
| Askari Bank Limited | 42,405 | 442,800 | 21,800 | 507,005 | - | - | - | - | - | - | - | - |
| Atlas Bank Limited | - | 78,000 | - | 7,000 | 71,000 | 1,108,168 | 1,217,650 | 109,482 | 0.16 | 0.023 | 0.27 | |
| Bank Al-Habib Limited | 79,440 | 8,200 | 24,896 | 47,900 | 64,636 | 2,545,472 | 4,298,294 | 1,752,822 | 0.55 | 0.018 | 0.95 | |
| Bank Alfalfa Limited | - | 226,000 | 3,000 | 229,000 | - | - | - | - | - | - | - | - |
| Bank of Khyber Limited | - | 352,000 | - | 352,000 | - | - | - | - | - | - | - | - |
| Bank of Khyber Limited - Right Shares | - | 25,000 | - | 25,000 | - | - | - | - | - | - | - | - |
| Bank of Punjab Limited | 140,601 | 355,232 | 4,875 | 500,708 | - | - | - | - | - | - | - | - |
| Crescent Commercial Bank Limited | - | 10,000 | - | 10,000 | - | - | - | - | - | - | - | - |
| Faysal Bank Limited | 62,370 | 299,900 | - | 362,270 | - | - | - | - | - | - | - | - |
| Habib Metropolitan Bank Limited | 199,466 | 8,600 | 136,188 | 19,800 | 324,454 | 9,922,213 | 24,982,958 | 15,060,745 | 3.22 | 0.065 | 5.52 | |
| JS Bank Limited | - | 239,936 | - | 144,500 | 95,436 | 1,417,699 | 1,837,143 | 419,444 | 0.24 | 0.028 | 0.41 | |
| MCB Bank Limited | 10,000 | 96,100 | - | 106,100 | - | - | - | - | - | - | - | - |
| Meezan Bank Limited | - | 3,500 | - | 3,500 | - | - | - | - | - | - | - | - |
| My Bank Limited | 10,000 | 38,000 | - | 48,000 | - | - | - | - | - | - | - | - |
| My Bank Limited - Right Shares | - | 35,500 | - | 35,500 | - | - | - | - | - | - | - | - |
| National Bank of Pakistan | 33,340 | 292,100 | - | 323,440 | 2,000 | 529,000 | 524,000 | (5,000) | 0.07 | 0.000 | 0.12 | |
| PICIC Commercial Bank Limited | - | 60,000 | - | 25,000 | 35,000 | 1,543,339 | 1,540,000 | (3,339) | 0.20 | 0.013 | 0.34 | |
| Saudi Pak Commercial Bank Limited | 33,000 | 107,500 | - | 140,500 | - | - | - | - | - | - | - | - |
| Soneri Bank Limited | 41,000 | 160,200 | 15,800 | 217,000 | - | - | - | - | - | - | - | - |
| Soneri Bank Limited - Right Shares | - | 30,000 | - | 30,000 | - | - | - | - | - | - | - | - |
| Standard Chartered Bank (Pakistan) Limited | - | 15,000 | - | 5,000 | 10,000 | 556,450 | 529,500 | (26,950) | 0.07 | 0.000 | 0.12 | |
| Union Bank Limited | - | 237,000 | - | 237,000 | - | - | - | - | - | - | - | - |
| United Bank Limited | - | 48,200 | - | 48,200 | - | - | - | - | - | - | - | - |
| Insurance | | | | | | | | | | | | |
| Adamjee Insurance Company Limited | 8,250 | 8,500 | 1,031 | 17,781 | - | - | - | - | - | - | - | - |
| American Life Insurance Company Limited | 2,069,500 | 15,000 | - | 117,500 | 1,967,000 | 50,532,862 | 90,875,400 | 40,342,538 | 11.73 | 6.052 | 20.09 | |
| Askari Insurance Company Limited | 101,500 | 8,500 | 29,400 | 13,500 | 125,900 | 2,574,537 | 9,946,100 | 7,371,563 | 1.28 | 0.803 | 2.20 | |
| Beema Pakistan Company Limited | - | 60,500 | - | 25,000 | 35,500 | 73,825 | 81,650 | 7,825 | 0.01 | 0.085 | 0.02 | |
| Central Insurance Company Limited | - | 2,300 | - | 700 | 1,600 | 305,070 | 290,480 | (14,590) | 0.04 | 0.011 | 0.06 | |
| Century Insurance Company Limited | 24,620 | 2,500 | 1,405 | 23,000 | 5,525 | 222,227 | 306,638 | 84,411 | 0.04 | 0.022 | 0.07 | |
| EFU General Insurance Limited | - | 15,300 | - | 15,300 | - | - | - | - | - | - | - | - |
| International General Insurance Limited | 1,430 | 800 | 1,338 | - | 3,568 | 528,309 | 1,427,200 | 898,891 | 0.18 | 0.011 | 0.32 | |
| New Jubilee Life Insurance Company Limited | 45,000 | 750,500 | - | 67,500 | 728,000 | 16,839,173 | 36,582,000 | 19,742,827 | 4.72 | 1.161 | 8.09 | |
| PICIC Insurance Company Limited | - | 27,827 | - | 27,827 | - | - | - | - | - | - | - | - |



| Sector Scripts | Opening Balance | Purchase | Bonus / Right | Sold | Closing | Cost | Market Value | Appreciation/ (Diminution) | Percentage in relation to | | |
|---|-----------------|----------|---------------|---------|---------|------------|--------------|----------------------------|--|---|---|
| | | | | | | | | | Net Assets of the Fund (with Market Value of Investment) | Paid Up Capital of Investee Company (with Face Value of Investment) | Total Market Value (Carrying Value of Investment) |
| Textile Weaving | | | | | | | | | | | |
| Zephyr Textile Limited | 70,000 | 1,500 | - | - | 71,500 | 757,808 | 586,300 | (171,508) | 0.08 | 0.120 | 0.13 |
| Textile Composite | | | | | | | | | | | |
| Artistic Denim Mills Limited | 1,000 | 2,500 | 2,000 | 5,500 | - | - | - | - | - | - | - |
| Azgard Nine Limited (Preference Shares) | 656,625 | 2,000 | - | 2,000 | 656,625 | 6,874,127 | 4,366,556 | (2,507,571) | 0.56 | 1.008 | 0.97 |
| Azgard Nine Limited | 444,573 | 79,000 | - | 523,573 | - | - | - | - | - | - | - |
| Chenab Limited | - | 30,500 | - | 30,500 | - | - | - | - | - | - | - |
| Colony Mills Limited | - | 25,000 | - | 25,000 | - | - | - | - | - | - | - |
| Gul Ahmed Textile Mills Limited | 8,640 | 1,728 | - | 9,561 | 807 | 29,642 | 36,840 | 7,198 | 0.00 | 0.001 | 0.01 |
| Kohinoor Textile Mills Limited | - | 25,000 | - | 10,000 | 15,000 | 284,250 | 401,250 | 117,000 | 0.05 | 0.010 | 0.09 |
| Nishat (Chumian) Limited | 27,920 | 18,900 | - | 46,820 | - | - | - | - | - | - | - |
| Nishat Mills Limited | - | 76,000 | - | 76,000 | - | - | - | - | - | - | - |
| Synthetic & Ryon | | | | | | | | | | | |
| Dewan Salman Fibre Limited | 212,500 | 40,000 | - | 252,500 | - | - | - | - | - | - | - |
| Sugar & Allied Industries | | | | | | | | | | | |
| J.D.W. Sugar Mills Limited | 96,390 | 15,500 | 16,738 | 34,900 | 93,728 | 5,256,870 | 6,593,765 | 1,336,895 | 0.85 | 0.300 | 1.46 |
| Mirpurkhas Sugar Mills Limited | - | 5,000 | - | 5,000 | - | - | - | - | - | - | - |
| Shakarganj Sugar Mills Limited | 5,000 | 1,000 | - | 6,000 | - | - | - | - | - | - | - |
| Cement | | | | | | | | | | | |
| Cherat Cement Company Limited | 10,000 | - | 1,500 | 11,500 | - | - | - | - | - | - | - |
| D.G.Khan Cement Limited | 36,000 | 296,700 | 9,900 | 337,600 | 5,000 | 600,250 | 582,500 | (17,750) | 0.08 | 0.002 | 0.13 |
| D.G.Khan Cement Limited - Right | - | 5,000 | - | 5,000 | - | - | - | - | - | - | - |
| Dewan Cement Limited | - | 35,000 | - | 35,000 | - | - | - | - | - | - | - |
| Fauji Cement Company Limited | - | 534,000 | - | 349,000 | 185,000 | 3,609,334 | 3,644,500 | 35,166 | 0.47 | 0.050 | 0.81 |
| Flying Cement Company Limited | - | 10,000 | - | - | 10,000 | 168,500 | 165,000 | (3,500) | 0.02 | 0.006 | 0.04 |
| Gharbwal Cement Limited | - | 15,000 | - | 15,000 | - | - | - | - | - | - | - |
| Kohat Cement Limited | 46,500 | 42,800 | 2,950 | 92,250 | - | - | - | - | - | - | - |
| Lucky Cement Company Limited | 27,500 | 96,800 | - | 124,300 | - | - | - | - | - | - | - |
| Maple Leaf Cement Limited | 95,500 | 186,375 | - | 180,500 | 101,375 | 2,133,188 | 2,473,550 | 340,362 | 0.32 | 0.027 | 0.55 |
| Pakistan Cement Company Limited | - | 60,000 | - | 60,000 | - | - | - | - | - | - | - |
| Pioneer Cement Limited | 722,725 | 251,400 | 29,498 | 511,800 | 491,823 | 14,172,293 | 18,394,180 | 4,221,887 | 2.37 | 0.290 | 4.07 |
| Zeal Pak Cement | - | 11,000 | - | 11,000 | - | - | - | - | - | - | - |
| Tobacco | | | | | | | | | | | |
| Lakson Tobacco Company Limited | 2,400 | 600 | - | 3,000 | - | - | - | - | - | - | - |
| Pakistan Tobacco Company Limited | - | 14,500 | - | 14,500 | - | - | - | - | - | - | - |



| Sector Scrips | Opening Balance | Purchase | Bonus / Right | Sold | Closing | Cost | Market Value | Appreciation/ (Diminution) | Percentage in relation to | | | |
|--|-----------------|-----------|---------------|-----------|---------|------------|--------------|----------------------------|--|---|---|---|
| | | | | | | | | | Net Assets of the Fund (with Market Value of Investment) | Paid Up Capital of Investee Company (with Face Value of Investment) | Total Market Value (Carrying Value of Investment) | |
| Refinery | | | | | | | | | | | | |
| Attock Refinery Limited | 16,900 | 19,000 | 5,475 | 41,375 | - | - | - | - | - | - | - | - |
| Bosicor Pakistan Limited | 230,000 | 200,000 | - | 370,000 | 60,000 | 1,209,274 | 1,065,000 | (144,274) | 0.14 | 0.024 | 0.24 | |
| Bosicor Pakistan Limited - Right | - | 310,000 | - | 310,000 | - | - | - | - | - | - | - | - |
| Right Allotment - Bosicor Limited | - | 469,000 | - | - | 469,000 | 6,310,817 | 8,324,750 | 2,013,933 | 1.07 | 0.319 | 1.84 | |
| National Refinery Pakistan Limited | - | 4,500 | - | 4,500 | - | - | - | - | - | - | - | - |
| Power Generation & Distribution | | | | | | | | | | | | |
| Hub Power Company Limited | 47,500 | 100,000 | - | 147,500 | - | - | - | - | - | - | - | - |
| Kot Addu Power Company Limited | 180,000 | - | - | 180,000 | - | - | - | - | - | - | - | - |
| Karachi Electric Supply Corporation | 85,000 | 5,000 | - | 90,000 | - | - | - | - | - | - | - | - |
| Southern Electric Power Company Limited | - | 25,000 | - | 25,000 | - | - | - | - | - | - | - | - |
| Oil & Gas Marketing Companies | | | | | | | | | | | | |
| Attock Petroleum Limited | 500 | 5,000 | - | 5,500 | - | - | - | - | - | - | - | - |
| Pakistan State Oil Company Limited | 70,500 | 190,600 | - | 255,100 | 6,000 | 2,295,600 | 2,348,700 | 53,100 | 0.30 | 0.003 | 0.52 | |
| Shell Pakistan Limited | 9,900 | 15,700 | 3,075 | 3,400 | 25,275 | 11,111,296 | 10,364,014 | (747,282) | 1.34 | 0.046 | 2.29 | |
| Sui Northern Gas Pipelines Limited | - | 20,600 | - | 20,600 | - | - | - | - | 0.00 | 0.000 | 0.00 | |
| Sui Southern Gas Company Limited | 85,000 | 264,500 | - | 105,000 | 244,500 | 6,937,733 | 6,308,100 | (629,633) | 0.81 | 0.036 | 1.39 | |
| Oil & Gas Exploration Companies | | | | | | | | | | | | |
| Mari Gas Company Limited | - | 5,100 | - | 5,100 | - | - | - | - | - | - | - | - |
| Oil & Gas Development Corporation Limited | 81,000 | 1,189,400 | - | 1,020,600 | 249,800 | 30,395,293 | 29,926,040 | (469,253) | 3.86 | 0.006 | 6.62 | |
| Pakistan Oilfields Limited | 28,950 | 123,400 | - | 146,350 | 6,000 | 2,034,000 | 1,902,000 | (132,000) | 0.25 | 0.003 | 0.42 | |
| Pakistan Petroleum Limited | 13,000 | 120,900 | - | 133,900 | - | - | - | - | - | - | - | - |
| Engineering | | | | | | | | | | | | |
| Crescent Steel & Allied Products Limited | - | 13,000 | - | 13,000 | - | - | - | - | - | - | - | - |
| International Industries Limited | - | 6,000 | - | 6,000 | - | - | - | - | - | - | - | - |
| Automobile Assembler | | | | | | | | | | | | |
| Dewan Farooque Motors Limited | - | 10,000 | - | 10,000 | - | - | - | - | - | - | - | - |
| Ghandhara Nissan Limited | - | 3,500 | - | 3,500 | - | - | - | - | - | - | - | - |
| Honda Atlas Cars Limited | - | 38,400 | - | 38,400 | - | - | - | - | - | - | - | - |
| Indus Motor Company Limited | - | 2,000 | - | 2,000 | - | - | - | - | - | - | - | - |
| Automobile Parts & Accessories | | | | | | | | | | | | |
| General Tyre & Rubber Company | - | 18,500 | - | 7,500 | 11,000 | 300,003 | 324,500 | 24,497 | 0.04 | 0.018 | 0.07 | |



| Sector Scrips | Opening Balance | Purchase | Bonus / Right | Sold | Closing | Cost | Market Value | Appreciation/ (Diminution) | Percentage in relation to | | | |
|---|-----------------|----------|---------------|---------|---------|------------|--------------|----------------------------|--|---|---|--|
| | | | | | | | | | Net Assets of the Fund (with Market Value of Investment) | Paid Up Capital of Investee Company (with Face Value of Investment) | Total Market Value (Carrying Value of Investment) | |
| Cable & Electric Goods | | | | | | | | | | | | |
| Pak Elektron Limited | 10,770 | 27,000 | 942 | 28,712 | 10,000 | 869,000 | 860,000 | (9,000) | 0.11 | 0.013 | 0.19 | |
| Transport | | | | | | | | | | | | |
| Pakistan International Container Terminal Limited | - | 20,000 | - | 20,000 | - | - | - | - | - | - | - | |
| Pakistan National Shipping Corporation Limited | - | 2,000 | - | 2,000 | - | - | - | - | - | - | - | |
| Technology & Communication | | | | | | | | | | | | |
| Callmate Telips Telecom Limited | 511,221 | 351,900 | - | 520,900 | 342,221 | 19,994,134 | 16,939,940 | (3,054,195) | 2.19 | 0.524 | 3.75 | |
| Netsol Technologies Limited | 19,500 | 14,500 | - | 34,000 | - | - | - | - | - | - | - | |
| Pakistan Telecommunication Company Limited | 57,500 | 290,000 | - | 347,500 | - | - | - | - | - | - | - | |
| Telecard Limited | 85,000 | 225,000 | - | 110,000 | 200,000 | 2,385,255 | 2,600,000 | 214,745 | 0.34 | 0.067 | 0.57 | |
| TRG Pakistan Limited | 120,000 | 416,000 | - | 536,000 | - | - | - | - | - | - | - | |
| Worldcall Telecom Limited | - | 225,000 | - | 225,000 | - | - | - | - | - | - | - | |
| Fertilizers | | | | | | | | | | | | |
| Dawood Hercules Chemicals Limited | 4,600 | - | - | 4,600 | - | - | - | - | - | - | - | |
| Engro Chemical Pakistan Limited | 37,000 | 260,800 | - | 271,800 | 26,000 | 5,444,121 | 6,578,000 | 1,133,879 | 0.85 | 0.015 | 1.45 | |
| Engro Chemical Pakistan Limited- Letter of right | - | - | 6,570 | - | 6,570 | - | 840,960 | 840,960 | 0.11 | 0.004 | 0.19 | |
| Fauji Fertilizer Company Limited | 127,487 | 68,000 | - | 43,400 | 152,087 | 16,826,872 | 18,440,549 | 1,613,677 | 2.38 | 0.031 | 4.08 | |
| Fauji Fertilizer Bin Qasim Limited | 246,500 | 462,000 | - | 708,500 | - | - | - | - | - | - | - | |
| Pharmaceuticals | | | | | | | | | | | | |
| GlaxoSmithKline Pakistan Limited | 128,725 | 1,900 | 32,181 | 1,000 | 161,806 | 18,139,636 | 30,338,625 | 12,198,989 | 3.91 | 0.119 | 6.71 | |
| Highnoon Laboratories Limited | - | 7,000 | - | 7,000 | - | - | - | - | - | - | - | |
| Otsuka Pakistan Limited | 236,000 | 10,500 | - | 1,500 | 245,000 | 9,904,097 | 14,136,500 | 4,232,403 | 1.82 | 2.450 | 3.13 | |
| Searle Pakistan Limited | - | 15,500 | - | - | 15,500 | 598,775 | 592,875 | (5,900) | 0.08 | 0.064 | 0.13 | |
| Chemicals | | | | | | | | | | | | |
| Biafo Industries Limited. | 10,000 | - | - | 10,000 | - | - | - | - | - | - | - | |
| BOC Pakistan Limited | 12,300 | 100 | - | 3,400 | 9,000 | 1,537,528 | 1,467,000 | (70,528) | 0.19 | 0.036 | 0.32 | |
| Colgate-Palmolive (Pakistan) Limited | 2,100 | - | 525 | - | 2,625 | 508,116 | 1,233,750 | 725,634 | 0.16 | 0.017 | 0.27 | |
| ICI Pakistan Limited | - | 44,700 | - | 44,700 | - | - | - | - | - | - | - | |
| Pakistan PTA Limited | 204,500 | 185,000 | - | - | 389,500 | 2,703,842 | 2,142,250 | (561,592) | 0.28 | 0.026 | 0.47 | |



| Sector Scrips | Opening Balance | Purchase | Bonus / Right | Sold | Closing | Cost | Market Value | Appreciation/ (Diminution) | Percentage in relation to | | |
|---|-----------------|----------|---------------|---------|-----------|------------|--------------------|----------------------------|---|---|---|
| | | | | | | | | | Net Assets of the Fund Value of Investment) | Paid Up Capital of Investee Company (with Face Value of Investment) | Total Market Value (Carrying Value of Investment) |
| Paper & Board | | | | | | | | | | | |
| Century Paper Limited | 80,000 | 3,800 | - | 7,200 | 76,600 | 4,761,371 | 4,791,330 | 29,959 | 0.62 | 0.119 | 1.06 |
| Packages Limited | - | 13,100 | - | 13,100 | - | - | - | - | - | - | - |
| Food And Personal Care Products | | | | | | | | | | | |
| Clover Pakistan Limited | 10,400 | - | 2,080 | - | 12,480 | 996,320 | 1,600,560 | 604,240 | 0.21 | 0.190 | 0.35 |
| Gillette Pakistan Limited | 2,200 | - | - | - | 2,200 | 126,520 | 286,000 | 159,480 | 0.04 | 0.011 | 0.06 |
| Muree Brewery Company Limited | 22,880 | 100 | 2,288 | - | 25,268 | 1,662,241 | 2,931,088 | 1,268,847 | 0.38 | 0.233 | 0.65 |
| Nestle Pakistan Limited | 5,300 | 5,300 | - | 1,000 | 9,600 | 10,439,902 | 14,832,000 | 4,392,098 | 1.91 | 0.021 | 3.28 |
| Unilever Pakistan Limited (Rs.50 per share) | 40 | 80 | - | 40 | 80 | 172,304 | 178,800 | 6,496 | 0.02 | 0.000 | 0.04 |
| Zulfikar Industries Limited | 3,400 | - | - | - | 3,400 | 325,720 | 510,000 | 184,280 | 0.07 | 0.085 | 0.11 |
| Miscellaneous | | | | | | | | | | | |
| Cinepax Limited * | 50,000 | - | - | - | 50,000 | 500,000 | 500,000 | - | 0.06 | 0.000 | 0.11 |
| Ecopack Limited | 984,025 | 14,500 | 393,610 | 94,000 | 1,298,135 | 46,404,349 | 27,780,089 | (18,624,260) | 3.58 | 5.650 | 6.14 |
| Pace (Pakistan) Limited | - | 55,500 | - | 55,500 | - | - | - | - | - | - | - |
| Siddiqsons Tin Plate Limited | 5,000 | 122,000 | 500 | 127,500 | - | - | - | - | - | - | - |
| | | | | | | Rupees | <u>346,072,990</u> | <u>452,316,822</u> | <u>106,243,830</u> | | |

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

5.2 Net unrealised appreciation/(diminution) in fair value of marketable securities at fair value through profit or loss - held for trading

| | 2007 | 2006 |
|--|--------------------------|-------------------|
| Market value of marketable securities classified as fair value through profit or loss - held for trading | 452,316,822 | 457,247,781 |
| Less: Cost of marketable securities classified as fair value through profit or loss - held for trading | (346,072,990) | (444,170,088) |
| | 106,243,832 | 13,077,693 |
| Add: Realised on disposal during the year | 6,041,621 | (1,874,315) |
| Net unrealised appreciation (diminution) in market value of securities classified as fair value through profit or loss - held for trading at the beginning of the year | (19,119,315) | 5,633,622 |
| Net unrealised appreciation in market value during the year | Rupees 93,166,138 | <u>16,837,000</u> |



5.3 Term Finance Certificates

| Name of Investee | Profit / Mark-up Rate % | Number of Certificates | | | | | As at 30 June 2007 | | | Market Value as percentage |
|-----------------------|-------------------------|------------------------|---------------------------|-----------------------|-----------------------------|--------------------|--------------------|-------------------|---|----------------------------|
| | | As at '01 July 2006 | Purchases during the year | Sales during the year | Redemptions during the year | As at 30 June 2007 | Cost | Market value | Appreciation / (Diminution) of net assets | |
| | | ----- (Rupees) ----- | | | | | | | | |
| Al - Zamin Leasing | | | | | | | | | | |
| Modaraba - II | 9.50 | 1,000 | - | - | - | 1,000 | 5,000,000 | 5,000,000 | - | 0.006 |
| Grays Leasing Limited | 12.90 | - | 1,000 | - | - | 1,000 | 5,000,000 | 5,000,000 | - | 0.006 |
| Escorts Investments | | | | | | | | | | |
| Bank Limited | 13.09 | - | 1,000 | - | - | 1,000 | 5,000,000 | 5,000,000 | - | 0.006 |
| Allied Bank Limited | 12.49 | - | 3,421 | - | - | 3,421 | 17,101,579 | 17,775,381 | 673,802 | .023 |
| Pak Elektron Limited | 13.00 | - | 2,000 | - | - | 2,000 | 10,000,000 | 10,000,000 | - | 0.013 |
| Telecard Limited | 13.41 | 3,715 | - | - | - | 3,715 | 13,535,900 | 12,187,724 | (1,348,176) | 0.016 |
| | | | | | | | <u>55,637,479</u> | <u>54,963,105</u> | <u>(674,374)</u> | |

5.4 Net unrealised appreciation/(diminution) in fair value of marketable securities at fair value through profit or loss - initially designated at fair value through profit or loss

| | 2007 | 2006 |
|---|-------------------------|--------------------|
| Market value of marketable securities classified as fair value through profit or loss - initially designated at fair value through profit or loss | 54,963,106 | 21,285,255 |
| Less: Cost of marketable securities classified as fair value through profit or loss - initially designated at fair value through profit or loss | (55,637,479) | (23,575,000) |
| | (674,373) | (2,289,745) |
| Add: Realised on disposal during the year | - | 7,430 |
| Net unrealised appreciation/(diminution) in market value of securities classified as fair value through profit or loss - initially designated at fair value through profit or loss at the beginning of the year | 2,282,315 | - |
| Net unrealised appreciation/(diminution) in market value during the year Rupees | <u>1,607,942</u> | <u>(2,282,315)</u> |

6. PLACEMENTS

| | | |
|---------------------------------------|--------------------------|-------------------|
| International Housing Finance Limited | 25,000,000 | 55,000,000 |
| Al-Zamin Leasing Modaraba | 25,000,000 | - |
| First Dawood Investments Bank Limited | 10,000,000 | 25,000,000 |
| | <u>60,000,000</u> | <u>80,000,000</u> |
| | Rupees | |

These are clean placements having rates of return ranging from 11% to 14% (2006: 11% to 13%) per annum with maturities ranging from 10 July 2007 to 28 August 2007 (2006: 10 August 2006 to 5 September 2006).



7. ADVANCES, DEPOSITS AND OTHER RECEIVABLE

| | 2007 | 2006 |
|--------------------------------------|-------------------------|------------------|
| Considered good | | |
| Advance Tax | 42,292 | 395,557 |
| Security Deposit | 1,050,000 | 50,000 |
| Dividend Income | 1,119,618 | 1,438,028 |
| Profit on Term Finance Certificate | 1,078,830 | 277,800 |
| Profit on Placement | 1,438,356 | 922,466 |
| Profit on Bank Balance | 55,696 | 148,047 |
| Receivable from Broker | 252,962 | 4,788,919 |
| Income Receivable on CFS Investments | 516,547 | 104,347 |
| Receivable from Sale of Shares | 4,199,676 | - |
| | Rupees <u>9,753,977</u> | <u>8,125,164</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 of the Fund.

11. PRELIMINARY EXPENSES PAYABLE TO INVESTMENT ADVISOR

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

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

| | 2007 | 2006 |
|----------------------|-------------------------|------------------|
| Opening Balance | 4,200,000 | 5,000,000 |
| Paid During the Year | <u>(1,200,000)</u> | <u>(800,000)</u> |
| Closing Balance | Rupees <u>3,000,000</u> | <u>4,200,000</u> |



| | 2007 | 2006 |
|--|----------------------------------|-------------------------------|
| 12. CREDITORS, ACCRUED AND OTHER LIABILITIES | | |
| Payable to Broker Against Purchase of Shares | 1,234,187 | 2,158,195 |
| Audit Fee | 115,000 | 110,000 |
| Income Tax Payable | 76,863 | - |
| Commission Payable to Broker | 185,299 | - |
| Dividend Payable | 5,000 | 5,000 |
| | Rupees <u>1,616,349</u> | <u>2,273,195</u> |
| 13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | |
| Fully Paid Ordinary Certificates of Rs. 10 each | | |
| | 2007 | 2006 |
| (Number of certificates) | | |
| 50,000,000 | 50,000,000 | Issued for Fully Paid in Cash |
| 8,075,000 | 500,000 | Issued as Fully Paid Bonus |
| | | Certificates |
| <u>58,075,000</u> | <u>50,500,000</u> | 500,000,000 |
| | Rupees <u>580,750,000</u> | <u>505,000,000</u> |
| 14. UNREALISED GAIN ON REVALUATION OF INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | |
| Unrealized Gain on Held for Trading Investments | 93,166,138 | 19,119,315 |
| Unrealized Gain/(Loss) on Revaluation of Investments Initially Designated at Fair Value through Profit or Loss | 1,607,942 | (2,282,315) |
| | Rupees <u>94,774,080</u> | <u>16,837,000</u> |
| 15. AUDITORS REMUNERATION | | |
| Annual Audit Fee | 100,000 | 85,000 |
| Half-Year Review | 40,000 | 25,000 |
| Other Certification and Services | 26,050 | 14,000 |
| | Rupees <u>166,050</u> | <u>124,000</u> |
| 16. EARNING PER CERTIFICATE | | |
| Profit for the Year | Rupees <u>156,892,791</u> | <u>113,101,755</u> |
| Weighted Average Certificates Outstanding During the Year | Number <u>58,075,000</u> | <u>58,075,000</u> |
| Earning Per Certificate - Basic and Diluted | Rupees <u>2.70</u> | <u>1.95</u> |



17. 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 close family members.

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

Remuneration 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:

| | 2007 | 2006 |
|--|--------------------------|----------------------|
| Associated Companies | | |
| Balance at the Beginning of the Year | 25,000,000 | - |
| Placements During the Year | 85,000,000 | 627,000,000 |
| Maturities of Placements During the Year | (100,000,000) | (602,000,000) |
| Balance at the End of the Year | Rupees <u>10,000,000</u> | <u>25,000,000</u> |
| Investment Advisor | | |
| Balances at the Beginning of the Year | 22,488,671 | 9,797,078 |
| Remuneration for the Year | 19,357,429 | 18,288,671 |
| Reimbursement of Formation & Floatation Cost During the Year | (1,200,000) | (800,000) |
| Remuneration Paid During the Year | <u>(18,288,671)</u> | <u>(4,797,078)</u> |
| Balances at the End of the Year | Rupees <u>22,357,429</u> | <u>22,488,671</u> |
| Trustee | | |
| Balances at the Beginning of the Year | 81,237 | 73,035 |
| Remuneration for the Year | 990,004 | 962,702 |
| Remuneration Paid During the Year | <u>982,490</u> | <u>954,500</u> |
| Balances at the End of the Year | <u>88,751</u> | <u>81,237</u> |
| Other Related Parties | | |
| Balances at the Beginning of the Year | - | - |
| Brokerage Expense Incurred During the Year | 2,502,099 | - |
| Brokerage Paid During the Year | <u>(2,277,167)</u> | <u>-</u> |
| Balance at the End of the Year | <u>224,842</u> | <u>-</u> |
| Payable Against Purchase of Shares | <u>318,087</u> | <u>-</u> |

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 in the capacity of a broker or intermediary and the ultimate counter party of the Fund.



18. 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:

18.1 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.

18.2 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 fulfil their obligations. There is a possibility of default by participants and of failure of the financial markets/ stock exchanges, the depositories, the settlements or the clearing system, etc.

The risk is managed through assignment of credit limits, obtaining adequate collaterals and following strict credit evaluation criteria laid down by the Investment 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. Financial assets subject to credit risk amount to Rs. 289.075 million (2006: Rs. 162.711 million). The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

18.3 Liquidity Risk

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



18.4 Market Rate of Return (MROR) Risk

MROR risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Investment Adviser manages investments portfolio in a manner to reduce the risk of loss in market value of investments as a result of changes in market interest rates. In case the Investment Adviser expects economic uncertainty the portfolio will be restructured so as to comprise of short-term debt securities, money market instruments, short maturity reverse repurchase transactions and continuous funding system.

18.5 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 | 2007 | | | Not exposed to MROR risk | Total |
|--|------------------------------|----------------------|--|--------------------|--------------------------|--------------|
| | | Exposed to MROR risk | | | | |
| | | Up to three months | More than three months and upto one year | More than one year | | |
| Financial Assets | | | | | | |
| Bank Balances | 4 – 9 | 15,515,460 | - | - | - | 15,515,460 |
| Receivable 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, Deposit 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 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 | Rupees | 282,668,415 | - | 54,963,105 | 437,397,596 | 775,029,116 |



| | Effective rate (%) per annum | 2006 | | | Not exposed to MROR risk | Total |
|---|------------------------------|----------------------|--|--------------------|--------------------------|--------------|
| | | Exposed to MROR risk | | | | |
| | | Up to three months | More than three months and upto one year | More than one year | | |
| Financial Assets | | | | | | |
| Bank Balances | 4.5 – 9 | 20,806,852 | - | - | - | 20,806,852 |
| Receivable Against CFS | 12 – 18 | 56,089,430 | - | - | - | 56,089,430 |
| Investments | 9.5 – 12.5 | - | - | 21,285,255 | 457,247,781 | 478,533,036 |
| Placements | 11 – 13 | 80,000,000 | - | - | - | 80,000,000 |
| OtherReceivables | | - | - | - | 7,729,607 | 7,729,607 |
| | | 156,896,282 | - | 21,285,255 | 464,977,388 | 643,158,925 |
| Financial Liabilities | | | | | | |
| Remuneration Payable to investment Advisor | - | - | - | - | (18,288,671) | (18,288,671) |
| Remuneration Payable to Trustee | - | - | - | - | (81,237) | (81,237) |
| Annual Fee payable to SECP | - | - | - | - | (609,624) | (609,624) |
| Preliminary Expenses Payable to Investment Advisor- | - | - | - | - | (4,200,000) | (4,200,000) |
| Creditors, Accrued and Other Liabilities | - | - | - | - | (2,273,195) | (2,273,195) |
| | | - | - | - | (25,452,727) | (25,452,727) |
| On-Balance Sheet Gap | Rupees | 156,896,282 | - | 21,285,255 | 439,524,661 | 617,706,198 |

19. 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 Adviser 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.

20. ACCOUNTING ESTIMATES AND JUDGMENTS

20.1 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 judgements (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

20.2 Other Assets

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



**From 28
January
2006 to 30
June 2007**

| 21. PERFORMANCE TABLE | 2007 | 2006 | 2005 |
|----------------------------------|-------------|-------------|-------------|
| Net Asset Value (Rupees in '000) | 779 | 618 | 505 |
| Net Income (Rupees in '000) | 160,591 | 113 | 5 |
| Net Asset Value Per Certificate | 12.77 | 11.95 | 10.10 |
| Earning Per Certificate (Rupees) | 2.77 | 1.95 | 1.95 |
| Dividend/Bonus Distribution (%) | 10.00 | 15.00 | 1.00 |

22. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the investment advisor have approved cash dividend @ 10 % (2006: bonus dividend @ 15%) for the year ended 30 June 2007. These financial statements do not reflect this proposed issue.

23. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on September 5, 2007 by the Board of Directors of the Investment Advisor.

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

Tara Uzra Dawood
Chief Executive Officer

Gul Nawaz
Director

Nazimuddin Feroz
Director



PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30, 2007

| No. of Certificate Holders | Certificate Holding | | Total Certificate Held |
|-------------------------------|---------------------|-----------|---------------------------|
| | From | To | |
| 76 | 1 | 100 | 1,432 |
| 30 | 101 | 500 | 8,993 |
| 167 | 501 | 1,000 | 100,536 |
| 103 | 1,001 | 5,000 | 233,533 |
| 23 | 5,001 | 10,000 | 163,895 |
| 15 | 10,001 | 15,000 | 174,215 |
| 7 | 15,001 | 20,000 | 122,900 |
| 7 | 20,001 | 25,000 | 165,750 |
| 4 | 25,001 | 30,000 | 113,500 |
| 2 | 40,001 | 45,000 | 82,150 |
| 2 | 45,001 | 50,000 | 98,200 |
| 4 | 55,001 | 60,000 | 232,300 |
| 1 | 70,001 | 75,000 | 71,250 |
| 1 | 75,001 | 80,000 | 75,900 |
| 1 | 80,001 | 85,000 | 83,000 |
| 1 | 95,001 | 100,000 | 100,000 |
| 1 | 105,001 | 110,000 | 108,025 |
| 2 | 115,001 | 120,000 | 232,300 |
| 1 | 135,001 | 140,000 | 138,000 |
| 1 | 180,001 | 185,000 | 184,500 |
| 1 | 195,001 | 200,000 | 199,000 |
| 1 | 425,001 | 430,000 | 427,800 |
| 1 | 510,001 | 515,000 | 511,275 |
| 5 | 580,001 | 585,000 | 2,903,750 |
| 1 | 630,001 | 635,000 | 630,775 |
| 1 | 735,001 | 740,000 | 735,500 |
| 1 | 795,001 | 800,000 | 800,000 |
| 1 | 1,035,001 | 1,040,000 | 1,036,781 |
| 1 | 1,040,001 | 1,045,000 | 1,040,750 |
| 1 | 1,135,001 | 1,140,000 | 1,139,100 |
| 1 | 1,150,001 | 1,155,000 | 1,151,150 |
| 4 | 1,160,001 | 1,165,000 | 4,646,000 |
| 1 | 1,230,001 | 1,235,000 | 1,233,698 |
| 1 | 1,515,001 | 1,520,000 | 1,516,550 |
| 1 | 1,545,001 | 1,550,000 | 1,546,075 |
| 1 | 1,555,001 | 1,560,000 | 1,556,100 |
| 1 | 1,610,001 | 1,615,000 | 1,613,773 |
| 1 | 1,740,001 | 1,745,000 | 1,742,250 |
| 1 | 2,075,001 | 2,080,000 | 2,075,469 |
| 1 | 2,100,001 | 2,105,000 | 2,104,823 |
| 1 | 2,880,001 | 2,885,000 | 2,884,250 |
| 1 | 3,480,001 | 3,485,000 | 3,484,500 |
| 1 | 3,515,001 | 3,520,000 | 3,519,809 |
| 1 | 4,215,001 | 4,220,000 | 4,215,559 |
| 1 | 5,260,001 | 5,265,000 | 5,262,059 |
| 1 | 7,605,001 | 7,610,000 | 7,607,825 |
| 482 | | | 58,075,000 |



CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2007

Categories of Certificate holders

| Particulars | Number of Share Holders | Total Share Held | Percentage % |
|------------------------|-------------------------|------------------|--------------|
| Individual | 441 | 4,135,789 | 7.12% |
| Insurance Companies | 3 | 922,900 | 1.59% |
| Joint-Stock Companies | 7 | 6,676,373 | 11.50% |
| Financial Institutions | 16 | 27,772,592 | 47.82% |
| Modaraba Companies | 5 | 2,349,216 | 4.05% |
| Investment Companies | 2 | 2,697,225 | 4.64% |
| Associated Companies | 1 | 7,607,825 | 13.10% |
| Others | 7 | 5,913,080 | 10.18% |
| | 482 | 58,075,000 | 100.00% |

PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30, 2007

| Category No. | Categories of Certificate Holders | Number | Certificates Held | Percentage % |
|--------------|--|-----------|-------------------|--------------|
| 1 | Associated Companies | | | |
| | Dawood Capital Management | | 8,792,925 | 15.14 |
| | First Dawood Investment Bank Limited | | 1,151,150 | 1.98 |
| | B.R.R. Guardian Modaraba | | 64,738 | 0.11 |
| | | 3 | 10,008,813 | 17.23 |
| 2 | NIT & ICP | | | |
| | National Bank of Pakistan, Trustee Dept. | 1 | 5,262,059 | 9.06 |
| 3 | Directors, CEO and their Spouses and Minor Children | | | |
| | Tara Uzra Dawood | 1 | 11,615 | 0.02 |
| 4 | Public Sector Companies and Corporation | | | |
| 5 | Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds | 36 | 38,656,724 | 66.56 |
| 6 | Certificate Holders Holding Ten Percent or More in the Fund. | | | |
| | Dawood Capital Management | | 8,792,925 | 15.14 |

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