



DAWOOD MONEY MARKET FUND

**ANNUAL REPORT
2004**

Managed by Dawood Capital Management Limited

A Company sponsored by Asian Development Bank

Trustee: Bank AL Habib Limited



CORPORATE INFORMATION

Managed Company	Pakistan Venture Capital Limited 5-B, Lakson Square Building # 1, Sarwar Shaheed Road, Karachi - 74200 Telephone: (021) 568-7778 / 9 Fax: (021) 568-5830 E-Mail: dlc@cyber.net.pk		
Board of Directors of Management Company	Mr. Rafique Dawood Miss Tara Uzra Dawood Mr. Mir Muhammad Ali Mr. Safdar Rashid Mr. Anwar A. Shaikh Mr. Shah Faisal Mr. Muhammad Abdul Samad	Chairman Chief Executive Officer Director Director Director Director Director	(Nominee of FDIB) (Nominee of ADB) (Nominee of BRR1) (Nominee of FDIB) (Nominee of NIT)
CFO & Company Secretary	Mr. Muhammad Shoaib		
Audit Committee	Mr. Anwar A. Shaikh Mr. Shah Faisal Mr. Muhammad Abdul Samad	Chairman Member Member	
Trustee	Bank AL Habib Limited Mackinnons Building I.I. Chundrigar Road, Karachi. Telephone: (021) 241-2421 Fax: (021) 241-9752		
Auditors	Syed Husain & Co., Chartered Accountants 1st Floor, Modern Motors House Beaumont Road, Karachi - 75530		
Tax Advisor	Saiduddin & Co. Chartered Accountants 12-16 2nd Floor, Al Hamra Centre D-6, Block 7 & 8, Shaheed-e-Millat Road, Karachi.		
Legal Advisors	Bawaney & Partners 404, 4th Floor, Beaumont Plaza 6-cl-10 Beaumont Road, Karachi-75530 Telephone: (021) 565-7658/9, 565-7674 Fax: (021) 565-7673 E-Mail: bawaney@cyber.net.pk		
Registrars	Ganjees Registrar Services (Pvt.) Limited Room # 516, 5th Floor, Clifton Centre Kehkashan Clifton, Karachi.		
Distributors	Bank AL Habib Limited First Dawood Investment Bank Limited (formerly Dawood Leasing Company Ltd.) Flow Marketing (Pvt.) Limited Access Financial Services		
Banker	Bank AL Habib Limited		



DIRECTORS' REPORT

The Board of Directors of Pakistan Venture Capital Limited (the Company), the management company of Dawood Money Market Fund (the Fund) are pleased to present the Second Annual Report of the Fund alongwith the audited financial statements for the year ended June 30, 2004.

1. Operating Results

The Fund assumes a conservative policy and risk-averse and primarily investing in Term Finance Certificate, bonds, Government Securities and other money market instruments. The prime objective of the Fund is to provide consistent and better return to unit holders and ensure safety of capital as compared to other short-term investment options available in the market.

The income for the period under review was Rs.93.42 million which translated into net income per unit of Rs.7.62. The Fund income was mainly derived from reverse-repurchase transactions of Rs.57.87 million, capital gains of Rs.36.82 million and profit on Term Finance Certificates Rs.13.09 million.

The Fund is distributing more than 90% of its income for the year and therefore the income of Fund will not be subject to income tax under clause 99 of the Part-I of the 2nd Schedule of the Income Tax Ordinance, 2001.

2. Units in Issue

The Fund was launched on May 20, 2003 with a seed capital of Rs.300 million as core investment with the conditions that these units are not redeemable for a period of two years from the date of issue.

During the year, units worth Rs.877.24 million were issued and units worth Rs.210.55 were redeemed, resulting in a total of 12,264,560.6718 units with a value of Rs.1,313.82 outstanding at the year-end. This reflects an increase of 108.18% in the number of units outstanding and 119.13% in value as compared to June 30, 2003.

The units of the Fund are offered with a front-end load of 2% and a zero back-end load. The offer and redemption price is quoted on a daily basis.

3. Dividend

The Board of Directors of the management company has declared a bonus dividend of Rs.7 per unit for the year ended June 30, 2004. This works out to 7% of the par value is of the units of Rs.100 each. After the distribution of the dividend, the revised Net Asset Value is Rs.100.1148 per unit effective July 01, 2004.

4. Cash Flow

Activity-wise cash flow during the year and position of cash and cash equivalent as on June 30, were as under:

	June 30, 2004	June 30, 2003
	< ---- Rupees ---- >	
Net Cash Used in Operating Activities	(773,717,771)	(461,079,032)
Net Cash Flow from Financing Activities	666,683,789	592,946,436
Net (Decrease) / Increase in Cash and Cash Equivalent	(107,033,982)	131,867,404
Cash and Cash Equivalent at Beginning of the Year	131,867,404	-
Cash and Cash Equivalent at Close of the Year	24,833,422	131,867,404



6. Compliance with the best practices of the Code of Corporate Governance

This statement is being presented to comply with the “Code of Corporate Governance” (Code) contained in the listing regulations of the Karachi Stock Exchange for the purpose of establishing a frame work 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 of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The fund has maintained proper books of account.
- 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, 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 a 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.

7. Change in the Directors

Since the last report, there have been changes in the composition of the Board of the Company. During the period, election of Directors was held on March 15, 2004. All the candidates who filed their nominations to be elected as director of the Company were elected unopposed as directors.

8. Board Meetings

During the year 2003-04 six (6) meetings of the Board of Directors of management company were held, the requisite details are as under:

S.No.	Name	Designation	Entitlement to Attend Meeting	Leave of absence
1.	Mr. Rafique Dawood	Chairman	6	1
2.	Miss Tara Uzra Dawood	Chief Executive	6	-
3.	Mr. Allan Lee	Director	6	3
4.	Mr. Abdul Latif Uqaili	Director	3	1
5.	Mr. Ayaz Dawood	Director	3	-
6.	Mr. Safdar Rashid	Director	3	-
7.	Mr. Anwar A. Shaikh	Director	6	2
8.	Mr. Shah Faisal	Director	6	-
9.	Miss Iffat Zehra Mankani	Director	3	2



9. Transaction with Connected Persons / Related Parties

Transactions between the Fund and its connected persons are carried out on arm's length basis and the relevant terms of the transactions are determined in accordance with the "Comparable Uncontrolled Price Method". The Fund has fully complied with the best practices on transfer pricing as contained in the Listing Regulation No.38 of the Karachi Stock Exchange.

10. Future Outlook

The Company is optimistic about the Fund's future prospects and is fully aware of the need of the hour and would Insha-Allah continue to emphasize on maximizing unit holders value and is adamant for seizing all emerging opportunities to ameliorate the unit holders interest.

11. Auditors

The present auditors, Syed Hussain & Co., Chartered Accountants, are due for retirement and being eligible offer themselves for re-appointment.

12. Risk Management

The growing portfolio of products and services and overall business by nature is exposed to varying degrees of risk, including credit risk, market risk, liquidity risk and interest rate risk has effective risk reinforced the need for a proactive and effective risk management operation. The company follows two sets of guidelines on operative policy duly approved by the Board of Directors and the Prudential Regulations for NBFC issued by the Security & Exchange Commission of Pakistan.

The company believes in maintaining a balance between profitability and portfolio risk.

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

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

13. Statement of Ethics and Business Practices

The Board of Directors of the Company has adopted a statement of ethics and business practices. All employees are informed of this statements and are required to observe these rules of conduct in relation to business and regulations.

14. Information Technology

Complete computer environment and information technology based dependence has been the hallmark of your Company's policy. To keep our system current and compatible to the future requirement, your Company is continuously upgrading computer hardware.

15. Trading / Dealing in Units of the Fund

During the period there was no trading in the units of the Fund by the Directors, CEO, CFO, Company Secretary of the Company and their spouses and minor children.



16. Compliance with the Code of Corporate Governance

The Board is pleased to announce that your fund has adopted and complied with the Code of Corporate Governance as per the provisions set out by the SECP and the consequent listing regulations of the Karachi Stock Exchange, on which your fund is listed.

17. Audit Committee

The Board has constituted an Audit Committee of the Company with specific terms of reference comprising of the following members:

- Mr. Anwar A. Shaikh Chairman
- Mr. Shah Faisal Member
- Mr. Muhammad Abdul Samad 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 on their letter to the management. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance.

18. Key Financial Highlights

Key financial highlights are summarized and annexed to these financial statements.

19. Pattern of Unit holding

	Units Held (%)
Banks	52.11
Individual Investors	30.44
Corporate Sector	7.38
Non-Bank Financial Institutions	6.58
Retirement Scheme	2.84
Insurance Companies	0.65

20. Events after the Balance Sheet date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to or disclosure in the enclosed financial statements.

21. Acknowledgement

On behalf of the Board of Directors of the Management Company, we would like to place on record our appreciation and gratitude to all the directors, who are and were on the Company's Board for their support cooperation and valued contributions. We would also like to thank the Securities & Exchange Commission of Pakistan and other regulatory authorities for their encouragement and guidance. We also wish to thank our stakeholders for their confidence in the management and to express appreciation to our management team and supporting staff for their dedication and hard work in running the affairs of the Fund.

**For and on behalf of the
Board of Directors**

September 06, 2004

**RAFIQUE DAWOOD
Chairman**



September 06, 2004

REPORT OF THE TRUSTEE

Report of the Trustee Pursuant to the Rule 76(h) of The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2004

Pakistan Venture Capital Limited, the Management Company of Dawood Money Market Fund, has in all material respects managed Dawood Money Market Fund in accordance with the provision of the Trust Deed dated April 8, 2003 and Non-Banking Companies (Establishment and Regulation) Rules, 2003 during the period July 1, 2003 to June 30, 2004.

Zamin Ali
Trustee

Mahmood S. Allarakhia
Trustee



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2004

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

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

The management of Dawood Money Market Fund (the Fund) with Pakistan Venture Capital Limited (the Company) has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes **four (4)** independent non-executive directors. This means **57.14%** of the directors of the Board are independent non-executive directors.
2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The directors of the Company at the time of filing their return to act as such, have given a declaration of their consent that they are aware of their duties and powers under the Companies Ordinance, 1984 and the listing regulations of the Stock Exchange.
5. Casual vacancies occurring in the Board of the Company was filled up by the directors within 30 days thereof.
6. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
7. The Board of Directors of the Company has adopted a vision/mission statement and overall corporate strategy of the company and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
8. All the powers of the Board of PVCL have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
9. The meetings of the Board of the Company were presided over by the Chairman and, in his absence, by a director elected by the Board of the Company for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Directors of the Company have been provided with the copies of the Listing Regulations, Code of Corporate Governance, NBFIs Rules, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of associations and are



aware of their duties and responsibilities. Directors have also attended talks, workshops, seminars on the subject of Corporate Governance.

11. The Board of Directors of the Company has approved the appointment of the Chief Financial Officer, Company Secretary and Internal Auditor including their remuneration and terms and conditions of employment as determined by the Chief Executive Officer.
12. 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.
13. Financial statements for the half year ended December 31, 2003, quarter ended September 30, 2003, March 31, 2004 and full year ended June 30, 2004 presented to the board for consideration and approval, were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer.
14. The half yearly financial statements of the Fund were subjected to limited scope review by the statutory auditors.
15. Annual Accounts are being circulated within three months of the close of the fund's financial year.
16. The directors, Chief Executive Officer and Executives of the Company do not hold any interest in the units of the fund.
17. The Fund has complied with all the corporate and financial reporting requirements of the Code.
18. Significant issues as detailed in the Code, wherever applicable are placed for the information, consideration and decision of the Board of Directors of the Company and such decisions on material transactions or significant matters are minuted.
19. All material information as prescribed in clause (xxiii) of the code has been disseminated to the Stock Exchange and SECP.
20. The Board of the Company has formed an Audit Committee. It comprises 3 members, of whom 2 are Non-Executive Directors including the Chairman of the Committee.
21. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the fund and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
22. The Audit Committee members also met with the External Auditor of the fund without Chief Financial Officer and Internal Auditor as required under the Code.
23. The name of members of present audit committee have been disclosed in the annual report of the Fund.
24. The audit committee has appointed Secretary of the Committee who has circulated minutes of the meetings of the Committee to all Members, Directors and the Chief Financial Officer.
25. The Board of the Company has appointed M/s. Anjum Asim Shahid & Co., Chartered Accountants, as Internal Auditors of the Company and has also approved their terms and conditions. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund and their representatives are involved in the internal audit function on a full time basis.
26. The Chief of Internal Auditor representing M/s. Anjum Asim Shahid & Co., Chartered Accountants has access to the Chair of the Audit Committee.



27. Internal Audit Report have been provided for external auditors' review.
28. The statutory auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
29. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
30. We confirm that all other material principles contained in the code have been complied.

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

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

**On Behalf of the Board of Directors
Pakistan Venture Capital Limited**

**Tara Uzra Dawood
Chief Executive Officer**



SYED HUSAIN & CO.
CHARTERED ACCOUNTANTS

Modern Motors House
Beaumont Road, Karachi - 75530
UAN : 111-77-44-22
Fax : (92-21) 5210626
E-mail : shco@syedhusainco.com

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF THE 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 Pakistan Venture capital Limited (the Management Company) of Dawood Money Market Fund (the 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 Management Company of the fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the personnel of Management Company and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan, the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2004.

Karachi
September 06, 2004

Syed Husain & Co.
Chartered Accountants

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Members in principal cities throughout
the world.



SYED HUSAIN & CO.
CHARTERED ACCOUNTANTS

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Fax : (92-21) 5210626
E-mail : shco@syedhusainco.com

AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the annexed statement of assets and liabilities of the **Dawood Money Market Fund** as at June 30, 2004 and the related income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Management Company in respect of the Dawood Money Market Fund as required by the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- (b) in our opinion, the statement of assets and liabilities, the income statement, distribution statement, and statement of movement in unit holders' funds have been drawn up in conformity with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied; and
- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, give the information required by the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan, in the manner so required and respectively give a true and fair view of the state of affairs of Dawood Money Market Fund as at June 30, 2004 and its profit, distribution, movement in unit holders' fund and cash flows for the year then ended.

Karachi
September 06, 2004

Syed Husain & Co.
Chartered Accountants

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Members in principal cities throughout
the world.



STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2004

	Note	2004 Rupees	2003 Rupees
ASSETS			
Investments	3	296,439,418	112,237,262
Receivables against Carry Over Transactions	4	985,811,773	353,940,244
Other Receivables	5	6,719,561	4,461,810
Preliminary Expenses	6	1,897,260	2,542,485
Bank Balances	7	24,833,422	131,867,404
Total Assets		<u>1,315,701,434</u>	<u>605,049,205</u>
LIABILITIES			
Remuneration Payable to Management Company	8	777,560	630,000
Remuneration Payable to Trustee	9	134,497	160,000
Creditors, Accrued and Other Liabilities	10	974,038	4,723,250
Total Liabilities		<u>1,886,095</u>	<u>5,513,250</u>
NET ASSETS		<u>1,313,815,339</u>	<u>599,535,955</u>
UNIT HOLDERS' FUNDS (as per statement attached)		<u>1,313,815,339</u>	<u>599,535,955</u>
NUMBER OF UNITS IN ISSUE		<u>12,264,560.6718</u>	<u>5,891,325.3874</u>
NET ASSET VALUE PER UNIT		<u>107.1229</u>	<u>101.7659</u>

The annexed notes form an integral part of these accounts

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

Tara Uzra Dawood
Chief Executive Officer

Safdar Rasheed
Director

Shah Faisal
Director

For and on behalf of Bank AL Habib Limited (Trustee)

Zamin Ali
Trustee

Mahmood S. Allarakhi
Trustee

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004**

	Note	2004 Rupees	2003 Rupees
INCOME			
Income from Carry Over Transactions		57,874,937	2,775,010
Profit on Term Finance Certificates		13,098,302	635,560
Return on Government Securities		2,445,789	4,022
Return on Bank Deposits		1,555,294	1,815,882
Income/Capital Gains in Prices of Units Sold Less Units Redeemed		36,819,665	3,813,897
Total Income		111,793,987	9,044,371
EXPENSES			
Remuneration of Management Company	8	6,068,851	630,000
Remuneration of Trustee	9	1,185,193	160,000
Brokerage and Settlement Charges		9,612,265	391,614
Auditors' Remuneration	11	112,977	75,000
Fee and Subscription		895,253	146,000
Amortization of Preliminary Expenses	6	495,225	107,515
Total Expenses		18,369,764	1,510,129
NET INCOME FOR THE YEAR		93,424,223	7,534,242
BASIC EARNINGS PER UNIT	12	7.62	1.28

The annexed notes form an integral part of these accounts:

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

Tara Uzra Dawood
Chief Executive Officer

Safdar Rasheed
Director

Shah Faisal
Director

For and on behalf of Bank AL Habib Limited (Trustee)

Zamin Ali
Trustee

Mahmood S. Allarakhia
Trustee



**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004**

	2004 Rupees	2003 Rupees
Undistributed Income Brought Forward	74,838	-
Net Income for the Year	<u>93,424,223</u>	<u>7,534,242</u>
	93,499,061	7,534,242
Transferred to Reserve for Issue of Bonus Units	<u>(85,950,523)</u>	<u>(7,459,404)</u>
Undistributed Income Carried Forward	<u><u>7,548,538</u></u>	<u><u>74,838</u></u>

The annexed notes form an integral part of these accounts

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

Tara Uzra Dawood
Chief Executive Officer

Safdar Rasheed
Director

Shah Faisal
Director

For and on behalf of Bank AL Habib Limited (Trustee)

Zamin Ali
Trustee

Mahmood S. Allarakhia
Trustee

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	2004 Rupees	2003 Rupees
Net Asset at the Beginning of the Period (5,891,325.3874 Units)	599,535,955	-
Amount Received on Issue of 8,839,526.8842 (2003: 5,908,939.6558) Units	877,241,437	594,738,214
Amount Paid on Redemption of 2,573,228.9737 (2003: 17,614.2663) Units	(210,557,648)	(1,791,778)
	<u>1,266,219,744</u>	<u>592,946,436</u>
Income/Capital Gains in Prices of Units Sold Less Units Redeemed	(36,819,665)	(3,813,897)
Unrealized Surplus on Re-measurement of Securities	(9,008,963)	2,869,174
Net Income for the Year	93,424,223	7,534,242
NET ASSETS AT THE END OF THE YEAR/PERIOD	<u>1,313,815,339</u>	<u>599,535,955</u>
Represented by:		
Capital Account	1,226,456,067	589,132,539
Unrealized Surplus on Re-measurement of Securities	(6,139,789)	2,869,174
Reserve for Issue of Bonus Units 858,519.2469 (2003: 72,922.1391)	85,950,523	7,459,404
Undistributed Income Carried Forward	7,548,538	74,838
	<u>1,313,815,339</u>	<u>599,535,955</u>

The annexed notes form an integral part of these accounts

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

Tara Uzra Dawood
Chief Executive Officer

Safdar Ra Rasheed
Director

Shah Faisal
Director

For and on behalf of Bank AL Habib Limited (Trustee)

Zamin Ali
Trustee

Mahmood S. Allarakhia
Trustee



**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004**

	2004 Rupees	2003 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the Year	93,424,223	7,534,242
Adjustments for :		
Unrealized (Deficit)/Surplus on Re-measurement of Securities	(9,008,962)	2,869,174
Amortization/Adjustment of Preliminary Expenses	645,225	107,515
Income/Capital Gains in Prices of Units Sold Less Units Redeemed	(36,819,665)	(3,813,897)
Remuneration of Management Company	6,068,851	630,000
Remuneration of Trustee	1,185,193	160,000
Cash Flow from Operations Before Working Capital Changes	<u>55,494,865</u>	<u>7,487,034</u>
Changes in Assets and Liabilities		
Investments	(184,202,156)	(112,237,262)
Receivables Against Carry Over Transactions	(631,871,529)	(353,940,244)
Other Receivables	(2,257,751)	(4,461,810)
Creditors, Accrued and Other Liabilities	(3,749,211)	2,073,250
	<u>(822,080,647)</u>	<u>(468,566,066)</u>
Cash Used in Operation	<u>(766,585,782)</u>	<u>(461,079,032)</u>
Remuneration Paid to Management Company	(5,921,291)	-
Remuneration Paid to Trustee	(1,210,696)	-
Net Cash Used in Operating Activities	<u>(773,717,769)</u>	<u>(461,079,032)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Receipts Against Units Sold/Redeemed	<u>666,683,787</u>	<u>592,946,436</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(107,033,982)	131,867,404
Cash and Cash Equivalents at the Beginning of the Year	131,867,404	-
Cash and Cash Equivalents at the Close of the Year	<u>24,833,422</u>	<u>131,867,404</u>

The annexed notes form an integral part of these accounts

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

Tara Uzra Dawood
Chief Executive Officer

Safdar Rasheed
Director

Shah Faisal
Director

For and on behalf of Bank AL Habib Limited (Trustee)

Zamin Ali
Trustee

Mahmood S. Allarakhia
Trustee



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

1. LEGAL STATUS AND NATURE OF BUSINESS

Dawood Money Market Fund (DMMF) has been established through a Trust Deed, executed on April 08, 2003, under the Trust Act, 1982, entered into between Pakistan Venture Capital Limited as Management Company incorporated under the Companies Ordinance, 1984 and Bank AL Habib Limited, as Trustee. Registered office of the management company is located in Karachi.

The Securities and Exchange Commission of Pakistan has authorized the DMMF under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003. DMMF is an open-ended money market fund and has been authorized to offer units under rule 67 of Non Banking Finance Companies (Establishment and Regulation) Rules, 2003. The units are transferable and can also be redeemed by surrendering those to DMMF. The units are listed on Karachi Stock Exchange.

The principal activity of DMMF is to make investment in carry over transactions and debts securities including government securities, commercial papers and other money market instruments and placement of funds. DMMF commenced its activities on April 18, 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the International Accounting Standards as applicable in Pakistan, Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and directives issued by the Securities and Exchange Commission of Pakistan.

Requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and directives issued by the Securities and Exchange Commission of Pakistan take precedence in case of differences between requirements of International Accounting Standards and requirements of the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and directives issued by the Securities and Exchange Commission of Pakistan.

2.2 Accounting Convention

These financial statements have been prepared under historical cost convention except for investments which are stated at fair value (Note 2.3).

2.3 Investments

Initial Measurement

Investment in securities is recognized on a trade-date basis and initially recorded at cost, being the fair value of the consideration given including transaction costs.



Subsequent Measurement

Held-to-Maturity

These are securities of fixed or determinable payments with fixed maturity periods where DMMF has the positive intent and ability to hold till maturity. Held-to-maturity investments are subsequently re-measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

Available-for-Sale

These are investments which are neither held for trading nor intended to be held till maturity.

Available-for-sale investments are re-measured at subsequent reporting dates at fair value, determined on the basis of stock exchange bid prices. Unrealized gains/losses on subsequent measurement are recognized directly in the unit-holders' fund. When securities are disposed of or impaired, related fair value adjustments previously taken to unit-holders' equity are transferred to the income statement.

2.4 Securities under Repurchase/Resale Agreements – Carry Over Transaction

Securities purchased under a corresponding commitment to resell at a specified future date (reverse repo) are recorded as receivables against carry over transactions at the fair value of the consideration given. Securities sold under a simultaneous commitment to repurchase at a specified future date (repo) are recognized in balance sheet as investments and the counterpart liability is shown as payable against carry over transactions. All carry over transactions are accounted for on settlement date basis.

2.5 Issue and redemption of units

Units are issued at the respective offer price applicable on the day the fund is cleared by the bank. The offer price represents net asset value of the fund at the end of the previous day plus the allowable sales load. The sales load is payable to the distribution company and the management company as processing fee.

Units redeemed are recorded at the redemption price. The redemption price represents the net asset value of the fund at the end of the previous day. Redemption of units is recorded on receipt of application for redemption.

2.6 Element of Income and Capital Gains in Prices of Units Sold and Units Redeemed

To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalization account called "element of income and capital gains in prices of units sold less units redeemed" is created.

The "element of income and capital gains in prices of units sold less units redeemed" account is credited with the amount representing net income and capital gains accounted for in the last announced net assets value and included in the sale proceeds of units. Upon redemption of units, the "element of income and capital gains in prices of units sold less units redeemed" account is debited with the amount representing net income and capital gains accounted for in the last announced net asset value and included in the redemption price.

The "element of income and capital gains in prices of units sold less units redeemed" during an accounting period is transferred to the income statement.



2.7 Transactions with related parties

Transactions with related parties are carried out at an arm's length price, determined in accordance with comparable uncontrolled price method.

2.8 Revenue recognition

The difference between purchase and resale price, under reverse repo transaction, is treated as income and recognized over the life of related reverse repo transaction.

Income from fixed term securities is recorded on the time proportion basis taking into account the principal outstanding and applicable yield rate.

Dividend from equity securities is recognized when the right to receive dividend is established.

Return on bank deposits is recognized on a time proportion basis.

2.9 Amortization of Preliminary Expenses

Preliminary expenses are amortized over a period not exceeding five years.

2.10 Taxation

DMMF is exempt from taxation under Clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income for the year is distributed amongst the unit holders.

3. INVESTMENT

		2004 Rupees	2003 Rupees
Available for Sale			
Term Finance Certificates/Bonds	(Note 3.1)	234,059,418	111,164,234
Government Securities	(Note 3.3)	62,380,000	1,073,028
		<u>296,439,418</u>	<u>112,237,262</u>

3.1 Term Finance Certificates/Bonds

2004									
Name of Compy	No. of Certificates/Bonds				Balance as at June 30, 2004			Percentage in relation to	
	Opening as at July 1, 2003	Purchased	Sold	Closing as at June 30, 2004	Cost	Market Value	Unrealized Gain/(Loss)	Net Assets	Total Investment Cost
					Rupees				
Term Finance Certificates									
Bank Al Falah Limited	3,800	3,878	-	7,678	41,177,391	42,966,746	1,789,355	3.27	17.34
Muslim Commercial Bank Limited	1,335	-	-	1,335	8,203,455	7,539,733	(663,722)	0.57	3.45
Atlas Lease Limited	907	63	-	970	3,071,881	2,524,343	(547,538)	0.19	1.29
Pakistan International Airlines Corporation Limited	400	-	-	400	1,999,960	2,039,959	39,999	0.15	0.84
Jahangir Siddiqui and Company Limited	4,160	-	-	4,160	21,590,494	20,999,597	(590,897)	1.60	9.09
NDLC-IFIC Bank Limited	-	2,000	-	2,000	3,957,988	3,478,572	(479,416)	0.26	1.67
Al Abbas Sugar Mills Limited	-	1,000	-	1,000	4,473,684	4,473,684	-	0.34	1.88
Trust Commercial Bank Limited	-	2,000	-	2,000	9,998,000	9,998,000	-	0.76	4.21
Dewan Salman Fiber Limited	-	4,400	-	4,400	12,865,882	11,860,992	(1,004,890)	0.90	5.42
Orix Leasing Company Limited	-	400	-	400	2,101,673	2,177,792	76,119	0.16	0.89
TRG Pakistan Limited	-	5,000	-	5,000	25,000,000	25,000,000	-	1.90	10.53
United Bank Limited	-	10,000	-	10,000	50,000,000	50,000,000	-	3.81	21.06
Bonds									
Wapda Bonds – 10 th Issue	10,000	-	-	10,000	53,006,800	51,000,000	(2,006,800)	3.88	22.32
TOTAL					237,447,208	234,059,418	(3,387,790)		

3.2 The above TFCs/bonds are redeemable semi annually with the yield ranging from 6% to 17% (2003: 5.69% to 10%) per annum. All TFCs have the face value of Rupees 5,000 (2003: 5000) each.

3.3 Governments Securities

	Redemption Date	Yield Rate Per annum	2004 Rupees	2003 Rupees
Federal Investment Bonds	March 03, 2004	5.88%	-	1,073,028
Pakistan Investment Bonds	October 06, 2009	5.83%	52,135,000	-
Pakistan Investment Bonds	April 29, 2009	6.51%	10,245,000	-
Carrying value of Government Securities			62,380,000	1,073,028
Add: Unrealized loss			2,751,979	-
Government Securities – at Cost			<u>65,131,999</u>	<u>1,073,028</u>

4. RECEIVABLES AGAINST CARRY OVER TRANSACTIONS – Considered Good

These carry return ranging from 4% to 12% (2003: 5.75% to 12.25%) per annum, with maturities ranging from overnight to ten days.



5. OTHER RECEIVABLES – Considered Good

	2004 Rupees	2003 Rupees
Advance Income Tax	191,941	-
Other Receivables:		
Dividend (Note 5.1)	3,167,975	2,914,500
Profit on Term Finance Certificates	2,414,989	1,513,125
Return on Government Securities	944,656	34,185
	6,527,620	4,461,810
	6,719,561	4,461,810

5.1 These represent dividends accrued on securities held under reverse repo transactions at the date of entitlement of dividend.

6. PRELIMINARY EXPENSES

	2004 Rupees	2003 Rupees
Opening Balance	2,542,485	-
Incurred During the Year	-	2,650,000
	2,542,485	2,650,000
Adjustment (Note 6.1)	(150,000)	-
Amortized During the Year	(495,225)	(107,515)
	(645,225)	(107,515)
	1,897,260	2,542,485

6.1 Offering document restricted preliminary expenditure at Rupees 2.5 million, against actually incurred amount of Rupees 2.65 million. The difference of Rupees 0.150 million has now been adjusted and charged to the management company.

7. BANK BALANCES

	2004 Rupees	2003 Rupees
Current Account	24,250,833	16,837,738
Deposit Account (Note 7.1)	582,589	115,029,666
	24,833,422	131,867,404

7.1 Deposit account carries return at the rate of 1% (2003: 2%) per annum.

8. REMUNERATION PAYABLE TO MANAGEMENT COMPANY

The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 allow remuneration to the management company, for services rendered to the Fund, up to maximum of 3% per annum of the average annual net assets of the Fund for the first five years of the Scheme and 2% per annum of the average annual net assets thereafter. The Management Company is currently charging 0.75% per annum of the average daily net assets of the Fund.



9. REMUNERATION PAYABLE TO TRUSTEE

The Trustee is entitled to a remuneration for the services rendered to the Fund under the provision of the Trust Deed at the rate of 0.25% on the first Rupees 250,000,000 of the average daily net assets and thereafter 0.1% on amount exceeding Rupees 250,000,000 of average daily net assets of the Fund, subject to a minimum of Rupees 625,000 per annum.

	2004 Rupees	2003 Rupees
10. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Sales Load Payable	55,013	39,317
Payable to Brokers	-	1,812,933
Payable to Management Company	-	2,650,000
Payable to Securities and Exchange Commission of Pakistan	809,130	84,000
Accrued Expenses	109,895	137,000
	<u>974,038</u>	<u>4,723,250</u>
11. AUDITORS' REMUNERATIONS		
Audit Fee	85,000	75,000
Other Services	20,977	-
Out of Pocket Expenses	7,000	-
	<u>112,977</u>	<u>75,000</u>
12. BASIC EARNINGS PER UNIT		
Net Income for the Year/Period – Rupees	<u>93,424,223</u>	<u>7,534,242</u>
Units in Issue and Outstanding at the Year/Period end - Numbers	<u>12,264,560.6718</u>	<u>5,891,325.3874</u>
Basic Earnings Per Unit – Rupees	<u>7.62</u>	<u>1.28</u>
13. TRANSACTIONS WITH RELATED PARTY		
	2004 Rupees	2003 Rupees
Remuneration to Management Company	6,068,851	630,000
Preliminary Expenses	(150,000)	2,650,000
Redemption of Units	30,687,912	-
Investments	35,446,011	40,000,000
Sales Load on Units	908,612	-
Listing Fee	-	150,000



14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

14.1 Interest Rate Risk Exposure

2004					
Description	Effective Rate (%) per annum	Interest/Mark-Up Bearing		Non Interest/ Markup Bearing	Total
		Upto One Year	One to Five Years		
		Rupees	Rupees	Rupees	Rupees
Financial Assets					
Investments	5.83-17	-	296,439,418	-	296,439,418
Receivables against Carry Over Transactions	4.00-12	985,811,773	-	-	985,811,773
Other Receivables		-	-	6,527,620	6,527,620
Bank Balances	1.00	582,589	-	24,250,833	24,833,422
		986,394,362	296,439,418	30,778,453	1,313,612,233
Financial Liabilities					
Remuneration Payable to Management Company		-	-	(777,560)	(777,560)
Remuneration Payable to Trustee		-	-	(134,497)	(134,497)
Creditors, Accrued and Other Liabilities		-	-	(974,038)	(974,038)
		-	-	(1,886,095)	(1,886,095)
Net Financial Assets		986,394,362	296,439,418	28,892,358	1,311,726,138

2003					
Description	Effective Rate (%) per annum	Interest/Mark-Up Bearing		Non Interest/ Markup Bearing	Total
		Upto One Year	One to Five Years		
		Rupees	Rupees	Rupees	Rupees
Financial Assets					
Investments	7.25 – 15	1,073,028	111,164,234	-	112,237,262
Receivables against Carry Over Transactions	5.75 – 12.75	353,940,244	-	-	353,940,244
Other Receivables		-	-	4,461,810	4,461,810
Cash and Bank Balances	2.00	115,029,666	-	16,837,738	131,867,404
		470,042,938	111,164,234	21,299,548	602,506,720
Financial Liabilities					
Remuneration Payable to Management Company		-	-	(630,000)	(630,000)
Remuneration Payable to Trustee		-	-	(160,000)	(160,000)
Creditors, Accrued and Other Liabilities		-	-	(4,723,250)	(4,723,250)
		-	-	(5,513,250)	(5,513,250)
Net Financial Assets		470,042,938	111,164,234	15,786,298	596,993,470

14.2 Fair Value of Financial Assets and Liabilities

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

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

14.3 Risk Management

Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices.

The management company manages DMMF's market risk through diversification and continued monitoring of its investment portfolio.



Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest risk.

The management company has diversified their investments to minimize DMMF's exposure to interest rate risk.

Credit Risk

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

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

15. PERFORMANCE TABLE

The fund's financial highlights since its commencement of business, on April 18, 2003, are as under:

	2004 Rupees	2003 Rupees
Total Net Asset Value	1,313,815,339	599,535,955
Net Asset Value Per Unit	107.1229	101.7659
Highest Issue Price of Units	107.2771	101.7659
Lowest Redemption Price of Units	101.7677	100.0686

16. NUMBER OF EMPLOYEES

DMMF has no employee since it is managed by Pakistan Venture Capital Limited.

17. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issuance on July 05, 2004, by the board of directors of the management company.



18. CORRESPONDING FIGURES

No significant reclassification and rearrangement of corresponding figures has been made in these accounts.

Corresponding figures are for the period commencing from April 18, 2003 to June 30, 2003, whereas current figures are for one full year from July 01, 2003 to June 30, 2004.

(For and on behalf of Pakistan Venture Capital Limited - The Management Company)

Tara Uzra Dawood
Chief Executive Officer

Safdar Rasheed
Director

Shah Faisal
Director

(For and on behalf of Bank AL-Habib Limited)

Zamin Ali
Trustee

Mahmood S. Allarakhia
Trustee