



DAWOOD CAPITAL MANAGEMENT LIMITED
(Formerly Pakistan Venture Capital Limited)

ANNUAL REPORT 2005





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CORPORATE INFORMATION

Board of Directors	Mr. Rafique Dawood Miss Tara Uzra Dawood Mr. Hasib Ahmed Mr. Safdar Rashid Mr. Muhammad Abdul Samad Mr. Anwar A. Shaikh Mr. Shah Faisal	Chairman Chief Executive Officer Director Director Director Director Director	(Nominee of FDIB) (Nominee of ADB) (Nominee of BRR1) (Nominee of NIT) (Nominee of FDIB)
CFO & Company Secretary	Mr. Muhammad Shoaib		
Audit Committee	Mr. Anwar A. Shaikh Miss Tara Uzra Dawood Mr. Shah Faisal	Chairman Member Member	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants		
Legal Adviser	Rauf & Ghaffar Law Associates Advocates Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar - Karachi.		
Bankers	Bank AL Habib Limited Oman International Bank S.A.O.G. Metropolitan Bank Limited Habib Bank Limited Soneri Bank Limited KASB Bank Limited		
Registered Office & Share Registrar	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) 227-1913 E-Mail : dcm@firstdawood.com Website: www.firstdawood.com/dcm		



Mission/Vision Statement

*To Be The Prominant Funds Manager That
Adds Value For Stakeholders Through
Innovative And Responsible Management*



NOTICE OF ANNUAL GENERAL MEETING (AGM XIV)

Notice is hereby given that the AGM XIV of the shareholders of the company will be held at the registered office at 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi on Monday, October 24, 2005 at 10:30 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2005 together with Directors' and Auditors' Reports thereon.
2. To appoint auditors and fix their remuneration.
3. Any other business with the permission of the Chair.

Special Business

1. **To consider and approve the bonus issue @ 10% as recommended by the Board of Directors and pass the following resolution as special resolution:**

"**RESOLVED** that a sum of Rs.10,000,000 out of unappropriated profit be capitalized and distributed by issuing one million fully paid ordinary shares of Rs.10 each as bonus shares in the proportion of one share for every ten shares held, and the shares so distributed shall be treated for all purposes as an increase in the paid-up capital of the company.

FURTHER RESOLVED that the bonus shares so distributed shall rank pari passu in all respects with the existing shares of the company.

FURTHER RESOLVED that the Chief Executive or Company Secretary be and are hereby authorized to consolidate all fractions of bonus shares and sell in the stock market and pay the proceeds to charity.

FURTHER RESOLVED that the Chief Executive or Company Secretary be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of bonus shares."

2. **To consider, approve and if thought fit pass with or without modification following resolution as special resolution for amendment in Articles of Association of the Company:**

"**Resolved** that the following sub-clause 70(a) shall be inserted after Clause 70:

70(a). The Director who is about to leave or absent from Pakistan may with the approval of the Directors appoint any person to be an Alternate Director during his absence from the country provided such absence shall not be less than for a period of three months and such appointment shall have effect and such appointee whilst he holds office as an Alternate Director, shall be entitled to notice of the meeting of the Directors and to attend and vote thereat accordingly but shall ipso facto vacate office when his appointer returns to the country or vacate office as Director if the company in General Meeting removes the appointee from office and any appointment and removal under the clause shall be affected by notice in writing under the hand of director making the same."

3. **To consider, approve and if thought fit pass with or without modification the following resolution as special resolution for enhancement in the remuneration of the Chief Executive**

"**Resolved** that the Company be and is hereby approve and authorize the limits of holding the office of profit and payments as remuneration consisting of salary and allowances of Miss Tara Uzra Dawood, Chief Executive Officer of the Company, to an aggregate amount not exceeding Rs. 3 million per annum exclusive of bonuses, perquisites and retirement benefits to which she is entitled under the terms of employment and policy of the Company as approved by the Board."



4. To consider and if thought fit pass with or without modification, the following resolution as special resolution under Section 208 of the Companies Ordinance, 1984.

"Resolved that, the Chief Executive Officer of the Company be and is hereby authorized, for the purpose of Section 208 of the Companies Ordinance, 1984, to make investments in Win Power (Pvt.) Limited up to the limit of Rs. 15 million for equity investment & Rs. 10 Million for advance, to make equity investment in the certificates of First Dawood Mutual Fund (FDMF) to the extent of Rs. 100 Million and to make equity investment in First Dawood Takaful Malaysia Limited (Proposed) to the tune of Rs. 15 Million, subject to the compliance of rules and regulations as applicable and approvals, if any, of the relevant regulatory authority(ies);

Resolved further that this authority shall remain in force until revoked by the shareholders in the duly convened general meeting and the outstanding amount of investments and advances at any time should not exceed the latest approved limits; and

Resolved further that the Board of Directors be and is hereby authorized to do all the acts, deeds and things necessary to implement this Resolution and also empowered to make amendments/modifications to the Resolution as may be required and such amendments/modifications shall also be deemed as having been approved by the shareholders."

September 6, 2005
Karachi

By Order of the Board
Muhammad Shoaib
Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from October 18, 2005 to October 24, 2005 (both days inclusive). Shareholders are requested to notify the Company of any change of address immediately.
2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. No person other than a member shall act as proxy. Proxy forms, in order to be effective, must be received at the Registered Office, duly stamped and signed not less than 48 hours before the meeting.
3. The CDC account/sub-account holders are requested to bring with them their Computerized National ID Cards (CNIC) along with Participant(s) ID number and their account numbers at the time of attending this meeting in order to facilitate identification of the respective shareholder(s). In respect of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.

Statement under Section 160 of the Companies Ordinance, 1984 pertaining to Special business # 1

The Board of Directors in their meeting held on September 6, 2005 has proposed a bonus issue @ 10% (i.e. one share for every ten shares held). The shareholders approval is requested in this regard.

Statement under Section 160 of the Companies Ordinance, 1984 pertaining to Special business # 2

The shareholders of the Company in the Extraordinary General Meeting held on March 15, 2004 approved the limit of profit and payments as remuneration consisting of salary and allowances of Miss T. Uzra Dawood, Chief Executive Officer of the Company, to an aggregate amount not exceeding Rs. 1 million per annum exclusive of bonuses, perquisites and retirement benefits to which she is entitled under the terms of employment and policy of the Company as approved by the Board. The Board, after considering the size of company and floatation of a close-end fund, and remuneration packages of other similar companies has proposed this revision.

Except Chief Executive, none of the directors have any interest in this special business other than to the extent of his interest in the Company.



Statement Of Material Facts Under Section 160 Of The Companies Ordinance, 1984 Relating To Special Business # 3

Win Power (Pvt.) Limited was incorporated with a Share Capital of Rs. 5 million and subsequently would be enhanced upto Rs. 840 million. Its core business activity is the power generation using wind energy and its transmission. It is practically and economically feasible and beneficial to the Company to have investment in Win Power (Pvt.) Limited up to the limit of Rs. 25 million. The investment shall be subject to the applicable laws and regulations.

First Dawood Mutual Fund (FDMF) is a close- end mutual fund floated by the Dawood Capital Management Limited with paid-up capital of Rs. 500 million. Its net assets value as on June 30, 2005 was Rs. 10.10. It is practically and economically feasible and beneficial for the Company to make equity investment in the certificates of FDMF to the tune of Rs. 100 million. The company may hold or beneficially own upto 20% of the paid-up value of the securities in accordance with NBFC Rules, 2003. The investment shall be subject to the applicable laws and regulations.

First Dawood Takaful Malaysia Limited (FDTM) is proposed to be launched by First Dawood Group with a share capital of Rs. 300 Million. It is practically and economically feasible and beneficial to the Company to have equity investment in FDTM upto the limit of Rs. 15 Million. The investment shall be subject to the applicable laws and regulations. The proposed company will be procuring the expertise of Takaful Malaysia.

The terms and conditions of equity investments in above companies are given below:

1. Name of Investee Company	Win Power (Pvt.) Limited	First Dawood Mutual Fund (FDMF)	First Dawood Takaful Malaysia (Proposed)
2. Nature, amount and extent of the investment	Equity investment upto Rs. 15 million	Equity investment in units of FDMF upto Rs. 100 million	Pre-IPO investment in the ordinary shares
3. Average market price of the shares/certificates intended to be purchased during preceding six months.	Not applicable being unlisted company	Rs. 8.625	Not applicable - this would be initial investment in the Takaful
4. Break-up value of shares/certificates intended to be purchased on the basis of last published financial statements	Not applicable being first year of incorporation.	Rs. 10.10	Not applicable - this would be initial investment in the Takaful
5. Price at which shares/certificates will be purchased	par value being initial investment	Prevailing market price	Pre-IPO investment
6. Source of funds	Out of surplus funds available	Out of surplus funds available	Out of surplus funds available
7. Earning per share/certificate of the investee company in last three years	Not applicable - It is first year of incorporation of investee company	2005: Rs. 0.1 2004: N/A 2003: N/A	Not applicable
8. Period for which investment will be made	Not applicable being equity investment	Not applicable being first year of Fund equity investment	Not applicable being equity investment
9. Purpose of investment	- strategic investment - to earn a good return	- strategic investment - The purpose is to earn a good return.	- strategic investment - to earn a good return



10. Benefits likely to accrue to the Company and its shareholders from the proposed investment.	<ul style="list-style-type: none">- The Company and its shareholders will be benefited because their investment will fetch a good return in the form of dividend.- The surplus funds will not remain idle.	<ul style="list-style-type: none">- The Company and its shareholders will be benefited because their investment will fetch a good return in the form of dividend.- The surplus funds will not remain idle.	<ul style="list-style-type: none">- The company and its shareholders will be benefited because their investment will fetch a good return in the form of dividend.- The surplus fund will not remain idle.
11. Interest of directors and their relatives in the investee company.	None of the directors or their relatives has any interest in this special business in their personal capacities other than to the extent of his interest in the company.	None of the directors or their relatives has any interest in this special business in their personal capacities other than to the extent of his interest in the company.	None of the directors or their relatives has any interest in this special business in their personal capacities other than to the extent of his interest in the company.

The terms and conditions of advance is given below:

1. Name of Investee Company	Win Power (Pvt.) Limited
2. Amount of the advance	Up to Rs. 10 million
3. Purpose of advances	The surplus funds will not remain idle.
4. Interest of directors and their relatives.	None of the directors or their relatives has any interest in this special business in their personal capacities other than to the extent of his interest in the Company.



FINANCIAL HIGHLIGHTS

	2005	2004	2003	2002	2001	2000	1999	1998
	Rupees in Million							
Authorized Capital	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
Paid-Up Capital	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Shareholders' Equity	157.80	142.40	135.69	130.78	123.20	118.48	115.91	138.841
Total Assets	259.40	187.06	174.75	135.50	127.38	122.64	126.67	139.05
Short-Term Investment in Securities	223.46	164.86	154.79	103.18	84.07	44.24	27.98	17.508
Short-Term Investment in Deposits	15.00	-	-	-	33.04	50.50	20.00	75.00
Income From Investments	21.43	16.58	16.75	18.56	11.83	13.84	11.69	15.28
Management Fee	14.93	6.06	0.63	-	-	-	-	-
Other Income	6.85	1.53	0.70	1.01	1.83	4.49	4.40	2.06
Profit Before Taxation	21.11	6.85	7.90	9.60	6.25	13.68	9.88	9.10
Taxation	4.52	1.95	1.64	2.55	1.17	1.10	2.81	3.07
Profit After Taxation	16.59	4.90	6.25	7.05	4.54	12.57	7.07	6.03
Book Value Per Share	15.78	14.24	13.57	13.08	12.30	11.87	11.59	13.88
Earnings Per Share	1.66	0.49	0.63	0.71	0.45	1.26	0.70	0.60



DIRECTORS' REPORT

DIRECTORS' REPORT

On behalf of the Board of Directors of Dawood Capital Management Limited ("DCM" or the "Company"), it gives me immense pleasure to present the Fourteenth Annual Report along with audited financial statements for the year ended June 30, 2005.

1. Operations and Performance

	June 30,2005	June 30, 2004
Rupees.....	
Income From Investments	21,429,087	16,578,112
Management Fee	14,931,019	6,068,873
Gain on Sale of Fixed Assets	5,928,325	-
Other Income	927,584	1,530,627
Total Income	43,216,015	24,177,612
Administration And Operating Expenses	12,712,994	13,848,420
Financial Charges	9,393,560	3,479,208
Total Expenses	22,131,559	17,327,628
Profit Before Taxation	21,109,460	6,849,984
Profit After Taxation	16,591,638	4,902,063

The Financial Year under review proved to be a strong one for DCM with a net profit after tax of Rs. 16.59 Million. The total gross income increased by 78.74% to Rs. 43.22 Million as compared to Rs. 24.18 Million last year. The income primarily constituted of Management Fee to the tune of Rs. 14.93 Million generated for managing the affairs of Dawood Money Market Fund (DMMF) and First Dawood Mutual Fund (FDMF). Other revenue sources included return on term finance certificates of Rs. 9.47 Million, gain on sale of fixed assets of Rs. 5.93 Million, capital gain on sale of securities of Rs. 4.15 Million and return on short-term deposits and reverse-repurchase transactions of Rs. 8.74 Million.

Furthermore:

- The surplus on revaluation of investments as at June 30, 2005 was Rs. 10.39 million as compared to Rs. 11.58 Million last year.
- The net assets of the Company increased by 10.82% to Rs. 157.80 million as compared to Rs. 142.40 million last year.
- The break-up value of share has also increased from Rs. 14.24 to Rs. 15.78 per share.
- Earnings per share have increased to Rs. 1.66 from Rs. 0.49.

The Administration and Operating Expenses were kept under control and were maintained at the budgeted levels. Financial Charges have increased by Rs. 5.91 Million due to additional bank borrowings to finance Company growth in business activities and investment in First Dawood Mutual Fund and also in view of rising interest rate scenario.

Under our management, DMMF, the open-end fixed-income money market fund, declared a record return of 9.70% which remains the best in its category this year reiterating its position as a strong investment choice for investors.

DCM launched its second mutual fund i.e. "First Dawood Mutual Fund" (FDMF) on March 22, 2005 with the investment objectives of providing investors an opportunity to invest in a diversified portfolio of securities representing equity, fixed income securities and money market instruments. The size of the fund is Rs. 500 Million.

Dividend

Keeping in view the good performance of the Company, the Directors have proposed the issuance of Bonus Shares in proportion of 1 (One) share for every 10 (Ten) shares held i.e 10% for the year ended June 30, 2005, subject to the approval



of the shareholders at the Annual General Meeting.

Investment

The total portfolio of investments stands at Rs. 223.46 Million, carrying an unrealized revaluation gain of Rs. 10.39 Million.

Compliance with the Best Practices of the Code of Corporate Governance

This statement is being presented to comply with the "Code of Corporate Governance" (the "Code") contained in the listing regulations of the 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 the Code. The Directors hereby confirm the following as required by clause (xix) of the Code:

- The financial statements prepared by the management present fairly the Company's State of affairs, the result of operations, cash flows and changes in equity.
- Your Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements.
- Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (establishment & Regulation) Rules 2003 and directives of the Securities and Exchange Commission of Pakistan, have been followed in the preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts over the ability to continue as a going concern.
- There has been no trading during the year in the shares of the Company 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 payments on account of taxes, duties, levies and charges outstanding.
- There has been no departure from the best practices of transfer pricing.

Capital Market

The stock market remained volatile in the second quarter of the calendar year and it received a heavy battering after touching its peak (i.e. 10,303) on March 16, 2005 and since then has moved down drastically losing more than 3300 points. The factors contributing to this include; futures contracts, margin rules, phasing out of the badla system and the increasing interest rate scenario. However, due to the downward trend of the market, shares of all the companies lost value resulting in the portfolio facing diminution which we consider is a temporary phase.

Economy

The improving economic indicators, the continued foreign investors' interest and a consistent increase in the business volumes create a healthy atmosphere. However, on the other side, the increasing interest rates, the rise in international oil prices vis-à-vis the inflationary pressures, suggest that this is the time to consolidate.

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

Good governance, diligent fiscal management and steps to boost investor confidence contributed largely to this record performance. Further, credit disbursement to the private sector went up to Rs. 370 Billion and tax collection of Rs. 581 Billion was achieved which exceeded the target.



Future Outlook and Prospects

The overall revival of the economy and confidence in government policies will continue to improve business prospects and improve credit demands. Additionally, improving per capita income and consequently increasing consumer demand for products and for finance should increase the investment portfolio.

DCM is fully equipped with a highly motivated professional staff backed by high ethical and social standards and inspired by the common goal to excel.

Our long-term vision and Company's focus on fundamental core strengths including, customer satisfaction, risk management, cost control, diversification of our people and superior execution in each of our core businesses is expected to assist us to grow further in the forthcoming future.

The following three key strategies continues to remain our objectives i.e. customer relationships; optimizing the use of shareholder funds & return thereon and development of human capital and building on our core strengths.

Changes in Directors

Since the last report, there have been changes in the composition of the Board of Company. Mr. Mir. Muhammad Ali, Nominee Director of ADB has resigned and Mr. Hasib Ahmed has been nominated in place of Mr. Mir Muhammad Ali.

Currently, the Company has seven Directors on its Board.

Board Meetings

During the year 2004-05 seven (7) meetings of the Board of Directors of the 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	7	-
2.	Miss T. Uzra Dawood	Chief Executive	7	-
3.	Mr. Safdar Rashid	Director	7	2
4.	Mr. Anwar A. Sheikh	Director	7	1
5.	Mir Muhammad Ali	Director	7	1
6.	Mr. M. Abdul Samad	Director	7	4
7.	Mr. Shah Faisal	Director	7	-

Transaction with Connected Persons/Related Parties

All transactions between DCM and its connected persons/related parties are carried out on an arm's length basis and the relevant terms of the transactions are determined in accordance with the "comparable uncontrolled price method" (CUP).

DCM has fully complied with the best practices on transfer pricing as contained in the listing regulation No. 38 of the Karachi Stock Exchange.

Human Resource Capital

Human resource is the heart of a service sector enterprise. DCM strongly believes that its employees are its most valuable assets and that its success derives from the commitment and efforts of these employees. The Company has a highly qualified management team and they regularly participate in seminars, workshops and training sessions organized by various professional bodies.



Technology and Processes

A cutting-edge computerized environment and efficient utilization of information technology has been the hallmark of DCM's policy.

During the year, the IT Function gained much importance as an independent activity. It was allocated additional hardware and software to effectively support the expanding needs of the organization.

The focus of the IT investments is primarily directed towards the alignment of business needs through the development of core business applications risk management, office automation systems and alternate delivery channels, in order to further improve customer service and productivity.

The positive impact of this facility is already being felt in quick decision-making and the timely provision of information to customers.

DCM is also constantly upgrading its website, www.firstdawood.com/dcm which provides corporate product information.

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.

Staff Retirement Benefits

DCM operates a provident fund scheme for all permanent employees. The value of investment to date is Rs. 633,020/- in the provident fund scheme.

Auditors

The present auditors M. Yousuf Adil Saleem & Co, Chartered Accountants, had retired however, they have offered themselves for re-appointment. As required under the Code of Corporate Governance the Audit Committee has recommended the re-appointment of M. Yousuf Adil Saleem & Co, Chartered Accountants, as auditors for the year ending June 30, 2006.

Risk Management

A growing portfolio of services is exposed by nature to varying degrees of risk including credit risk, market risk, liquidity risk and interest rate risk. This reinforces the need for a proactive and effective risk management operation. Your Company follows a set of guidelines on operative policy and the Prudential Regulations for NBFC, issued by the Securities & Exchange Commission of Pakistan. DCM believes in maintaining a balance between profitability and portfolio riskness.

Your Company manages interest rate risk by balancing assets and liabilities.

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

Statement of Ethics and Business Practices

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

Audit Committee

The Board 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 directors:



Mr. Anwar A. Sheikh	Chairman
Miss Tara Uzra Dawood	Member
Mr. Shah Faisal	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 and also reviewed internal audit findings and held separate meetings with internal and external auditor as required under the Code of Corporate Governance.

Key Financial Highlights

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

Pattern of Shareholding

The pattern of shareholding as on June 30, 2005 along with disclosure as required under the Code is annexed.

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 the enclosed financial statements.

Acknowledgement

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

On their behalf, I express the deepest gratitude to our customers, business associates, bankers, the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan for their continued guidance, support and encouragement and our stakeholders for their confidence in our management.

Our transformation & excellent achievements are a result of concerted & continued effort and contribution of the Board, the management team and the staff. I am grateful for the tireless commitment & contributions of our employees who have brought DCM to newer & higher levels.

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

For and on behalf of the Board

**Rafique Dawood
Chairman**

Karachi.
Date : September 06, 2005



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

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 (the "Code") contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange (Guaranteed) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The 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 five (5) independent non-executive directors. This means 71.43% of the directors of the board are independent 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. A casual vacancy occurred in the Board and was filled up by the directors within 30 days thereof.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board of Directors has adopted a vision/mission statement and all the overall corporate strategy of the Company and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
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 Chief Financial Officer, Company Secretary and internal auditor including their remuneration and terms and conditions of employment as determined by the Chief Executive Officer.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. Financial Statements for the half-year ended December 31, 2004 quarter ended September 30, 2004, March 31, 2005 and full year ended June 30, 2005 presented to the Board for consideration and approval, were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.



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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 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 committee have been formed and advised to the committee for compliance.
 17. The Board has appointed 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 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.

**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
Dawood Capital Management Limited**

**T. Uzra Dawood
Chief Executive Officer**



**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
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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 MANAGMENT LIMITED (Formerly Pakistan Venture Capital Limited) to comply with the relevant Listing Regulation of all the Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. 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 Company'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 Company personnel and review of various documents prepared by the Company 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 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 Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2005.

Karachi
September 06, 2005

Chartered Accountants

A member firm of
Deloitte Touche Tohmatsu



AUDITORS' REPORT TO THE MEMBERS

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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We have audited the annexed balance sheet of Dawood Capital Management Limited (Formerly Pakistan Venture Capital Limited) as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity 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 company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also include assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.2 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and the statement of changes in equity, together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The financial statements of the Company for the year ended June 30, 2004 were audited by another firm of Chartered Accountants who expressed an unqualified opinion thereon vide their report dated September 06, 2004.

Karachi
September 06, 2005

Chartered Accountants

A member firm of
Deloitte Touche Tohmatsu





BALANCE SHEET AS AT JUNE 30, 2005

	Note	2005 Rupees	2004 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital 20,000,000 Ordinary Shares of Rs. 10 Each		200,000,000	200,000,000
Issued, Subscribed and Paid-Up Capital 10,000,000 Ordinary Shares of Rs 10 Each fully Paid in Cash		100,000,000	100,000,000
Reserves	3	57,804,014	42,398,228
		157,804,014	142,398,228
NON-CURRENT LIABILITIES			
Deferred Tax Liability	4	300,000	-
Liabilities Against Assets Subject to Finance Lease	5	32,911	585,260
CURRENT LIABILITIES			
Current Maturity of Liabilities Against Assets Subject to Finance Lease	5	552,349	648,475
Short-Term Borrowings	6	89,000,000	35,700,000
Finance Under Markup Arrangements	7	6,717,916	5,000,000
Short-Term Deposits		269,100	269,100
Accrued and Other Liabilities	8	3,293,914	2,460,916
Taxation - net		1,429,154	-
		101,262,433	44,078,491
Contingencies and Commitments	9		
		259,399,358	187,061,979
NON- CURRENT ASSETS			
Operating Fixed Assets	10	2,876,966	5,427,211
Venture Investments	11	1,750,000	1,750,000
Long-Term Receivable	12	4,000,000	-
Long-Term Loans	13	345,400	52,620
Long-Term Deposits		65,800	89,400
Deferred Tax Asset	4	-	617,822
CURRENT ASSETS			
Investments - Available for Sale	14	223,462,275	164,863,815
Fund Placements	15	15,000,000	-
Loans, Advances, Prepayments and Other Receivables	16	11,701,155	4,379,928
Taxation - net		-	573,677
Cash and Bank Balances	17	197,762	9,307,506
		250,361,192	179,124,926
		259,399,358	187,061,979

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

Tara Uzra Dawood
Chief Executive Officer

Hasib Ahmed
Director



**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2005**

	Note	2005 Rupees	2004 Rupees
INCOME			
Investment Income	18	21,429,087	16,578,112
Management Fee	19	14,931,019	6,068,873
		<u>36,360,106</u>	<u>22,646,985</u>
EXPENDITURE			
Administration and Operating Expenses	20	12,712,994	13,848,420
Financial Charges	21	9,393,560	3,479,208
		<u>22,106,555</u>	<u>17,327,628</u>
		14,253,551	5,319,357
Other Income	22	6,855,909	1,530,627
		<u>21,109,460</u>	<u>6,849,984</u>
PROFIT BEFORE TAXATION			
Taxation			
- Current	23	3,600,000	2,135,000
- Prior		-	13,300
- Deferred		917,822	(200,379)
		<u>4,517,822</u>	<u>1,947,921</u>
PROFIT AFTER TAXATION			
		16,591,638	4,902,063
UNAPPROPRIATED PROFIT BROUGHT FORWARD			
		5,189,122	287,059
UNAPPROPRIATED PROFIT CARRIED FORWARD			
		<u>21,780,760</u>	<u>5,189,122</u>
Earnings Per Share - Basic and Diluted	24	<u>1.66</u>	<u>0.49</u>

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

Tara Uzra Dawood
Chief Executive Officer

Hasib Ahmed
Director



**CASH FLOW STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

	2005 Rupees	2004 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Taxation	21,109,460	6,849,984
Adjustment for Non-Cash Items		
Depreciation	1,880,368	2,271,421
Gain on Disposal of Fixed Assets	(5,928,325)	-
Gain on Disposal of Venture Investments	(165,000)	-
Financial Charges	9,393,560	3,479,208
	<u>5,180,603</u>	<u>5,750,629</u>
	26,290,063	12,600,613
(Increase)/Decrease in Current Assets		
Investments-Available for Sale	(59,784,312)	(8,262,150)
Fund Placements	(15,000,000)	-
Loans, Advances, Prepayments and Other Receivables	(6,298,777)	2,418,957
	<u>(81,083,089)</u>	<u>(5,843,193)</u>
(Decrease)/Increase in Current Liabilities		
Accrued and Other Liabilities	(151,160)	528,117
Cash (Used in)/Generated from Operations	<u>(54,944,186)</u>	<u>7,285,537</u>
Income Tax Paid	(1,597,169)	(3,466,389)
Financial Charges Paid	(8,364,552)	(3,174,150)
<i>Net Cash (Used in)/Generated from Operating Activities</i>	<u>(64,905,907)</u>	<u>644,998</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From Disposal of Venture Investments	165,000	4,000,000
Long-Term Loans	(315,230)	114,274
Long-Term Deposits	23,600	42,600
Purchase of Fixed Assets	(284,800)	(798,948)
Long-Term Receivable	(5,000,000)	-
Proceeds From Disposal of Fixed Assets	6,883,002	-
<i>Net Cash Generated from Investing Activities</i>	<u>1,471,572</u>	<u>3,357,926</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Obligations Under Finance Lease	(648,475)	(1,682,263)
Short-Term Borrowing	53,300,000	30,700,000
Dividend Paid	(44,850)	(9,849,110)
<i>Net Cash Generated from Financing Activities</i>	<u>52,606,675</u>	<u>19,168,627</u>
Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	<u>(10,827,660)</u>	<u>23,171,551</u>
Cash and Cash Equivalents at the Beginning of the Year	<u>4,307,506</u>	<u>(18,864,045)</u>
Cash and Cash Equivalents at the End of the Year	<u>(6,520,154)</u>	<u>4,307,506</u>
Components of Cash and Cash Equivalents		
Cash and Bank Balances	197,762	9,307,506
Finance Under Mark-up Arrangement - Secured	(6,717,916)	(5,000,000)
	<u>(6,520,154)</u>	<u>4,307,506</u>

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

Tara Uzra Dawood
Chief Executive Officer

Hasib Ahmed
Director



**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2005**

	Issued, Subscribed & Paid-Up Capital	Statutory Reserve	General Reserve	Surplus on Revaluation of Investments	Unappropriated Profit	Total
	Rupees					
Previously Reported Balance as at June 30, 2003	100,000,000	10,630,264	15,000,000	9,769,379	287,059	135,686,702
Effect of Change in Accounting Policy with Respect to Final Dividend for the Year Ended June 30, 2003 Declared Subsequent to Year Ended (note 8.1)	-	-	-	-	10,000,000	10,000,000
Restated Balance as at June 30, 2003	100,000,000	10,630,264	15,000,000	9,769,379	10,287,059	145,686,702
Final Dividend for the Year Ended June 30, 2003	-	-	-	-	(10,000,000)	(10,000,000)
Profit for the Year	-	-	-	-	4,902,063	4,902,063
Surplus on Revaluation of Securities	-	-	-	487,751	-	487,751
Deficit Realised and Debited to Profit and Loss Account	-	-	-	1,321,712	-	1,321,712
Balance as at July 01, 2004	100,000,000	10,630,264	15,000,000	11,578,842	5,189,122	142,398,228
Profit for the Year	-	-	-	-	16,591,638	16,591,638
Surplus on Revaluation of Securities	-	-	-	1,547,531	-	1,547,531
Surplus Realised and Credited to Profit and Loss Account	-	-	-	(2,733,383)	-	(2,733,383)
Balance as at June 30, 2005	100,000,000	10,630,264	15,000,000	10,392,990	21,780,760	157,804,014

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

Tara Uzra Dawood
Chief Executive Officer

Hasib Ahmed
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

1. COMPANY AND ITS OPERATIONS

Dawood Capital Management Limited (the "Company") was incorporated on 18 September 1990 as a public limited company in Pakistan, under the name of Pakistan Venture Capital Limited, with its registered office in Karachi, Sindh. During the year the Company has changed its name as "Dawood Capital Management Limited" and obtained Certificate of Incorporation dated 11 November, 2004. The company is listed on the Karachi Stock Exchange.

The Company was incorporated with the principal objective of acting as a Venture Capital Company and commenced its business activities on 1 January 1993. The company was registered as a Venture Capital Company under the Venture Capital Companies and Fund Manager Rules, 1995 and operated under the Rules of Business for Non Banking Financial Institutions. However, the company changed its objectives to undertake and promote business of asset management, investments and other related services. On 12 December 2002, the company was registered as an Asset Management Company by the Securities and Exchange Commission of Pakistan under sub-rule (2) of Rule 5 of the Asset Management Company Rules, 1995 (AMC Rules). However, consequent to repeal of AMC Rules the company was re-registered as a Non Banking Finance Company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003. The company has further undertaken the license to carry out investment advisory services and has been registered as an Investment Advisor under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003. The company floated an open ended mutual fund "Dawood Money Market Fund". The net assets value of the fund as on 30 June 2005 was Rs. 1,836 million (30 June 2004: Rs. 1,313million). During this year Company also floated a close ended scheme First Dawood Mutual Fund. The net assets value of the fund as on 30 June 2005 was Rs. 505 million.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared under historical cost convention except certain financial instruments which have been included at their fair values in accordance with the recognition/measurement criteria specified in the relevant International Accounting Standards applicable to such instruments.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of Companies Ordinance, 1984 and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

During the year, the SECP substituted the Fourth Schedule to the Ordinance which is effective from financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to recognition of dividends declared subsequent to the year end (note 8.1).

2.3 Employee Retirement Benefits-Defined Contribution Plan

The company operates recognised provident fund scheme for all its eligible employees. Equal monthly contributions are made, both by the company and its employees, to the fund at the rate of 10 percent of basic salary.

2.4 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into consideration available tax credits, rebates and tax losses, if any, or at the rate of 0.5 percent of turnover, whichever is higher.



Deferred

Deferred tax is recognised using the balance sheet liability method on all significant temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized.

2.5 Operating Fixed Assets and Depreciation**Owned**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged applying the straight line method over their estimated useful lives.

Depreciation is charged on proportionate basis. The depreciation is charged from the month of acquisition or the month the asset is put into use and on disposals upto the month of disposals.

Normal repairs and maintenance are charged to income as and when incurred.

Gains and losses on disposal of fixed assets, if any, are taken to profit and loss account.

Leased

Asset subject to finance lease is accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged to income applying the straight line method at the rates specified in note 10.

2.6 Investments**2.6.1 Venture Investments**

Venture investments were made to assist the promoters of industrial units or new projects engaged in manufacturing, trading or service activities, involving risk oriented new technology, market, upgradation of technology, establishment and enhancement of products, services, other supporting infrastructure or manufacture of new or value added products for new usage and markets. Such investments are in the form of equity or redeemable capital. These investments are classified as available for the sale.

Equity Investments

Investments in equity instruments of listed companies are initially recorded at cost and subsequently measured at fair value. The surplus/deficit on remeasurement is taken to equity.

Venture investments in unlisted companies are carried at cost as there is no active market for such investments.

Impairment loss, if any is recognised in profit and loss account.

2.6.2 Investments in Securities**Initial Measurement**

These are initially measured at cost being the fair value of consideration given on the date when the Company commits to purchase the investment, including transaction costs associated with the investment.



Subsequent Measurement

Held to Maturity

These are securities with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity and are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

Held for Trading

These are securities which are either acquired for generating a profit from short term fluctuations in prices or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

Held for trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses are included in the net profit or loss for the period.

Available for Sale

These are investments that do not fall under held for trading or held for maturity.

An available for sale investment is measured at subsequent reporting dates at fair value. The fair value is determined on the basis of year-end quoted prices, except unquoted term finance certificates which are kept at cost, as no quoted price is available on the stock exchange. Surplus/deficit arising from re-measurement are taken to the shareholders' equity.

Such surplus/deficit is taken to the profit and loss account to the extent it relates to the securities sold/disposed of during the respective year.

2.7 Revenue Recognition

Venture Investments

Equity

Dividend income on ordinary/preference shares is recognized at the time of closure of the share transfer books of the investees declaring the dividend.

Management Fee

Management fees is recognized on accrual basis on the Net Asset Value (NAV) of funds on daily product basis.

Other Investments

Gains and losses on disposal of investments is accounted for in current year income. Dividend income on equity securities is recognized at the time of the closure of the share transfer books of the companies declaring the dividend.

Profit/return from PLS deposits, placements and securities are recognized on an accrual basis.

Securities Under Repurchase/Resale Agreements – Carry Over Transactions

Securities purchased under a corresponding commitment to resell at a specified future date (reverse-repo) are recorded as receivables against carry-over transactions at fair value of the consideration given. Securities sold under a simultaneous commitment to repurchase at a specified future date (repo) are recognised in the 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.

2.8 Financial Instruments

At the time of initial recognition, all financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. Subsequent to initial recognition financial assets which are tradable in open market are revalued at the market prices prevailing on the balance sheet date. Gains/losses on derecognition are taken to profit and loss account.



2.9 Related Parties

All transactions with related parties are priced on arm's length basis.

2.10 Provisions for Obligations

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.11 Off-Setting

Financial assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

2.12 Impairment

The carrying amounts of the company's assets, for which policy is given separately, 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 wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are charged to income currently.

3. RESERVES

		2005	2004
		Rupees	Rupees
Capital Reserves			
Statutory Reserve	3.1	10,630,264	10,630,264
Surplus on Revaluation of Investments		<u>10,392,990</u>	<u>11,578,842</u>
		21,023,254	22,209,106
Revenue Reserves			
General Reserve		<u>15,000,000</u>	<u>15,000,000</u>
Unappropriated Profit		<u>21,780,760</u>	<u>5,189,122</u>
		36,780,760	20,189,122
		<u>57,804,014</u>	<u>42,398,228</u>

3.1 The reserve was created by transferring 20 percent of after tax profits, as required under Rule-3 of the Rules of Business for Non-Banking Financial Institutions. Consequent to the Company's registration as an Asset Management Company, no further transfer has been made to the reserve subsequent to 31 December 2002.

4. DEFERRED TAX LIABILITY/ASSET

Deferred tax is composed of debit/(credit) balance on accelerated depreciation on operating fixed assets and finance lease obligation as follows:

		2005	2004
		Rupees	Rupees
Debit balance arising in respect of accelerated accounting depreciation		423,767	140,277
(Credit)/Debit balance arising in respect of finance lease obligation		<u>(723,767)</u>	<u>477,545</u>
		<u>(300,000)</u>	<u>617,822</u>



5. *LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE*

	<i>2005</i>		<i>2004</i>	
	<i>Minimum Lease Payments</i>	<i>Present Value</i>	<i>Minimum Lease Payments</i>	<i>Present Value</i>
	<i>Rupees</i>			
Within One Year	590,575	552,349	740,240	648,475
After One Year But Not More Than Five Years	33,600	32,911	624,175	585,260
Total Minimum Lease Payments	624,175	585,260	1,364,415	1,233,735
Less: Amount Representing Finance Charges	(38,915)	-	(130,680)	-
Present Value of Minimum Lease Payments	585,260	585,260	1,233,735	1,233,735
Less: Current Portion	552,349	552,349	648,475	648,475
	32,911	32,911	585,260	585,260

The Company has entered into sale and lease back and finance lease agreements with a Modaraba (an associated concern) for vehicles. Payment under the agreement includes financial charges 10 percent per annum (2004: 10.01 percent to 18.77 percent), which are used as discounting factors. An additional charge of Rs.100 per day is leviable on the overdue rentals. The arrangements are for a period of three years and rentals are payable monthly and quarterly. The fair value of the company's lease liabilities approximates their carrying amount. Liabilities under finance lease are secured by lessor's charge over the leased assets.

		2005	2004
		Rupees	Rupees
6. <i>SHORT-TERM BORROWINGS</i>			
Secured	6.1	49,000,000	35,700,000
Unsecured	6.2	40,000,000	-
		<u>89,000,000</u>	<u>35,700,000</u>

6.1 This borrowing carries mark-up ranging from 10.25 percent to 11 percent per annum (2004: 4.25 percent) payable at the end of agreed maturity periods. These are secured against pledge of term finance certificates and units of an open ended fund. The principal amount is payable, in lump sum, from September 14, 2005 to October 14, 2005.

6.2 This borrowing carries mark-up ranging from 10 percent to 10.50 percent per annum (2004: Nil) payable at the end of maturity periods. The principal amount is payable, in a lump sum, from July 21, 2005 to September 15, 2005.

7. *FINANCE UNDER MARK-UP ARRANGEMENTS*

This represents approved running finance facility of Rs.10 million (2004: Rs. 10 million) obtained from a commercial bank and is renewable on a yearly basis. The facility is secured by pledge of preference shares and term finance certificates. The facility carries mark-up upto 9 percent per annum (2004: 6.50 to 8.00 percent per annum).

		2005	2004
		Rupees	Rupees
8. <i>ACCRUED AND OTHER LIABILITIES</i>			
Accrued Financial Charges		1,348,985	319,977
Accrued Expenses		297,796	413,138
Other Liabilities		612,587	648,405
Dividend	8.1	1,034,546	1,079,396
		<u>3,293,914</u>	<u>2,460,916</u>



		2005 Rupees	2004 Rupees
<i>8.1 Dividend</i>			
Unclaimed Dividend		1,034,546	1,079,396
Final Dividend	8.1.1	-	-
		<u>1,034,546</u>	<u>1,079,396</u>

8.1.1 The Company has changed its accounting policy for recognition of dividend proposed subsequent to the year end, as a liability to comply with the substituted Fourth Schedule to the Ordinance, as referred to in note 2.2. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS 8 - "Net Profit or Loss for the Period. Fundamental Errors and Changes in Accounting Policies". There is no financial impact of change in accounting policy on the current year financial statements.

8.1.2 The Board of Directors of the Company in its meeting held on September 6, 2005 has approved one share for each 10 shares i.e. 10%, amounting to Rs. 10,000,000 as bonus shares for the year ended June 30, 2005. These financial statements do not reflect the appropriation of Bonus Shares as explained in note 8.1.1 above.

9. CONTINGENCIES AND COMMITMENTS

In finalizing the assessment for the years 2000-2001, 2001-2002 and 2002-2003, the Deputy Commissioner of Income Tax (DCIT) has made certain disallowances and added a reversal of diminution in the value of investment into income. The Company has filed appeals with the Commissioner of Income Tax Appeals that has not yet been heard. No provision has been made in these financial statements for this demand, as the management is confident that decisions will be in favour of the company on the basis of advice of the Tax Advisor.

10. OPERATING FIXED ASSETS

	Cost			Accumulated Depreciation			Book value as at June 30, 2005	Rate %
	As at July 01, 2004	Addition / transfers/ (deletion)	As at June 30, 2005	As at July 01, 2004	Charge for the year	Adjustment during the year		
<i>OWNED</i>								
Office Premises	6,005,000	(6,005,000)	-	4,657,222	393,101	(5,050,323)	-	10
Furniture and Fitting	1,095,131	-	1,095,131	392,896	80,790	-	473,686	621,445
Office Equipment	1,174,649	226,500	1,401,149	862,980	137,987	-	1,000,967	400,182
Vehicles	1,147,540	4,323,300 (1,087,240)	4,383,600	1,095,278	870,890	2,559,000 (1,087,240)	3,437,928	945,672
	<u>9,422,320</u>	<u>4,549,800 (7,092,240)</u>	<u>6,879,880</u>	<u>7,008,376</u>	<u>1,482,768</u>	<u>2,559,000 (6,137,563)</u>	<u>4,912,581</u>	<u>1,967,299</u>
<i>LEASED ASSETS</i>								
Vehicles	6,253,000	(4,265,000)	*1,988,000	3,239,733	397,600	(2,559,000)	*1,078,333	909,667
	284,800	-	-	-	-	-	-	-
2005 Rupees	<u>15,675,320</u>	<u>(7,092,240)</u>	<u>8,867,880</u>	<u>10,248,109</u>	<u>1,880,368</u>	<u>(6,137,563)</u>	<u>5,990,914</u>	<u>2,876,966</u>
2004 Rupees	<u>14,472,372</u>	<u>1,202,948</u>	<u>15,675,320</u>	<u>7,976,688</u>	<u>2,271,421</u>	<u>-</u>	<u>10,248,109</u>	<u>5,427,211</u>

* On completion of lease term during the year transferred to owned assets



10.1 Disposal of Fixed Assets

<i>Description</i>	<i>Original Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceed</i>	<i>Mode of Disposal</i>	<i>Particulars</i>
-----Rupees-----						
Property at Fortune Centre	6,005,000	5,050,323	954,677	6,877,000	Based on independent valuation	First Dawood Investment Bank Limited (Associated undertaking).
Vehicle	685,000	685,000	-	1	Company Policy	Miss Tara Uzra Dawood Chief Executive Officer.
Vehicle	345,240	345,240	-	1	Company Policy	Mr. Suleman Ahmed, Ex-employee 1558/3,2nd floor, Flat No. 4, Siddiqabad F.B. Area, Karachi.
Motorcycle	57,000	57,000	-	6,000	Company Policy	Mr. Abdul Nasir Ex-employee R-591, Sector 14-A, Karachi.
	<u>7,092,240</u>	<u>6,137,563</u>	<u>954,677</u>	<u>6,883,002</u>		

			Notes	2005 Rupees	2004 Rupee
11. VENTURE INVESTMENTS					
Available for Sale			11.1 & 11.2	<u>1,750,000</u>	<u>1,750,000</u>
11.1 Investment in Unlisted Companies					
	<i>No. of Shares</i>	<i>Name of Investee</i>			
	<i>2005</i>	<i>2004</i>			
-	100,000	Panj Darya Ceramics (Pvt.) Limited (Ordinary shares of Rs. 10/- each) Chief Executive: Mr. Abdus Saboor Mir	11.1.1	-	1,000,000
50,000	50,000	Sapphire Power Generation Limited (Ordinary shares of Rs. 10/- each) Chief Executive: Mr. Shahid Abdullah	11.1.2	1,750,000	1,750,000
				<u>1,750,000</u>	<u>2,750,000</u>
		Impairment Loss		<u>-</u>	<u>(1,000,000)</u>
				<u>1,750,000</u>	<u>1,750,000</u>



11.1.1 The Board of Directors decided in a meeting held on July 6, 2005, to write off the investment.

11.1.2 The net assets of the company based on audited financial statements as at June 30, 2004 amounts to Rs.603.212 million (2003: Rs. 552.900 million).

The abridged results of Sapphire Power Generation Limited are as follows:

	2004 Rupees	2003 Rupees
Sales	622,633,271	659,026,030
Operating Income	<u>52,520,962</u>	<u>61,259,475</u>
Profit After Taxation	<u>50,311,651</u>	<u>57,021,721</u>
Earnings Per Share	<u>5.37</u>	<u>6.08</u>

11.2 INVESTMENT IN LISTED COMPANIES

<i>No. of Shares</i>			<i>2005 Rupees</i>	<i>2004 Rupees</i>
<i>2005</i>	<i>2004</i>			
12,000	28,500	Gauhar Engineering Limited	120,000	285,000
		Impairment Loss	<u>(120,000)</u>	<u>(285,000)</u>
			<u>-</u>	<u>-</u>

The aggregate market value of these securities was Rs.37,800/- (2004: Rs. 171,000/-). The company has discontinued its operations therefore the fair value has been taken as Nil.

		2005 Rupees	2004 Rupee
12.	LONG TERM RECEIVABLE		
	Preliminary Expenses	12.1 5,000,000	-
	Current Maturity Shown Under Current Assets	<u>(1,000,000)</u>	<u>-</u>
		<u>4,000,000</u>	<u>-</u>

12.1 These represent expenses relating to the floating of a close end fund during the year. The Company has paid this amount under the requirement of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The amount is receivable in five years, in equal installments.

13. LONG TERM LOANS

Unsecured, Considered Good			
Executive	13.1	416,138	-
Employee		<u>58,346</u>	<u>159,254</u>
		<u>474,484</u>	<u>159,254</u>
Current Maturity Shown Under Current Assets		<u>(129,084)</u>	<u>(106,634)</u>
		<u>345,400</u>	<u>52,620</u>

13.1 Loan to Executive

Disbursed During the Year	13.2	437,899	-
Repayment During the Year		<u>(21,761)</u>	<u>-</u>
		<u>416,138</u>	<u>-</u>

13.2 The loan has been provided to facilitate construction/renovation of residential accommodation, which is repayable over the period of 5 years with the mark-up rate of 14% per annum.



			2005		2004
			Cost	Fair Value	Fair Value
		Notes	Rupees		
14. INVESTMENTS - AVAILABLE FOR SALE					
Units of Open-End Mutual Fund		14.1	40,391,684	49,333,735	60,168,010
Listed Securities		14.2	105,847,651	106,543,980	13,669,908
Term Finance Certificates		14.3	66,829,949	67,584,560	91,025,897
			<u>213,069,285</u>	<u>223,462,275</u>	<u>164,863,815</u>
Surplus on Revaluation of Securities			10,392,990	-	-
			<u>223,462,275</u>	<u>223,462,275</u>	<u>164,863,815</u>
14.1 Units of Open-End Mutual Fund					
	<i>Numbers of Units</i>				
	2005	2004			
				<i>Cost</i>	<i>Fair Value</i>
				<i>2005</i>	<i>2004</i>
				<i>Rupees</i>	
344,952	446,068	Dawood Money Market Fund			
		Related Party	32,954,387	37,468,686	47,784,142
136	439	Unit Trust of Pakistan	908,477	1,104,864	3,778,912
39,149	26,505	Pakistan Stock Market Fund	1,000,000	4,533,454	2,978,091
12,184	11,179	Pakistan Income Fund	528,820	667,708	609,365
50,000	50,000	Crosby Dragon Fund	5,000,000	5,559,023	5,017,500
			<u>40,391,684</u>	<u>49,333,735</u>	<u>60,168,010</u>
* 327,260 units are pledged with commercial banks against short term borrowing facility.					
14.2 Listed Securities					
All shares represent fully paid ordinary shares of Rs. 10 each, unless otherwise stated.					
	<i>Numbers of Shares/Certificates</i>				
	2005	2004			
				<i>Cost</i>	<i>Fair Value</i>
				<i>2005</i>	<i>2004</i>
				<i>Rupees</i>	
Mutual Fund					
1,070,500	-	Atlas Fund of Funds	10,489,869	10,597,950	-
6,550,000	-	First Dawood Mutual Fund -			
		Related Party**	65,500,000	65,500,000	-
5,000	-	PICIC Growth Fund	243,357	268,500	-
500	415,000	Pakistan Capital Market Fund	5,000	5,975	4,253,750
246,000	-	Pakistan Strategic Allocation Fund	2,460,000	2,373,900	-
Leasing Companies					
498	-	Crescent Leasing Company	7,470	7,420	-
Investment Banks/Companies/Security Companies					
579,239	524,728	First Dawood Investment Bank			
		Related Party	8,552,688	9,499,520	9,340,158
Commercial Banks					
6,000	-	National Bank of Pakistan	674,914	647,700	-
Textile Composite					
5,000	-	Kohinoor Textile Mills	360,537	190,000	-
1,500,000	-	Chenab Limited (Preference) *	15,000,000	15,000,000	-
		Balance Brought Forward	<u>103,293,835</u>	<u>104,090,965</u>	<u>13,593,908</u>



<i>Numbers of Shares/ Certificates</i>			<i>Cost</i>	<i>Fair Value</i>	<i>Fair Value</i>
<i>2005</i>	<i>2004</i>		<i>2005</i>	<i>2005</i>	<i>2004</i>
			<i>Rupees</i>		
		<i>Balance Carried Forward</i>	103,293,835	104,090,965	13,593,908
		<i>Synthetic and Rayon</i>			
375	-	Dewan Salman Fibre	8,332	6,319	-
		<i>Cement</i>			
10,000	-	Maple Leaf Cement	354,635	218,000	-
6,800	-	Pioneer Cement	113,463	142,800	-
		<i>Refinery</i>			
100	-	Attock Refinery	12,147	15,955	-
		<i>Power Generation and Distribution</i>			
500	-	Kot Addu Power Company	5,000	18,875	-
		<i>Oil and Gas Exploration Companies</i>			
-	1,000	Oil and Gas Development Company	-	-	64,500
		<i>Transport</i>			
94	500	Pakistan International Container Terminal	943	2,416	11,500
		<i>Technology and Communication</i>			
5,000	-	Pakistan Telecommunication Company Limited 'A'	346,035	329,750	-
		<i>Chemical</i>			
5,000	-	ICI Pakistan	458,046	387,500	-
		<i>Food and Personal Care Products</i>			
100	-	Unilever Pakistan (Face Value Rs. 50/-)	154,716	141,000	-
		<i>Miscellaneous</i>			
24,000	-	Ecopack	1,100,499	1,190,400	-
			<u>105,847,651</u>	<u>106,543,980</u>	<u>13,669,908</u>

* These preference shares are under pledge against finance under mark-up arrangements.

** This investment is made as per Rule 33(b) of the Non-Banking Finance Companies (Establishment & Regulation) Rules 2003.



14.3 Term Finance Certificates

All certificates represent face value of Rs. 5,000 each, unless otherwise stated.

Number of Certificates			Period of Redemption	Term of Redemption	Rates %	2005		2004
2005	2004					Cost	Fair Value	Fair Value
<i>Rupees</i>								
-	1,000	Orix Leasing Pakistan	2001-2005	Semi Annually	14.00%	-	-	4,336,836
-	280	Pakistan PTA	2001-2006	Semi Annually	16.00%	-	-	1,154,311
500	1,000	Gulistan Textile Mills	* 2001-2006	Semi Annually	14.00%	2,498,000	2,547,960	4,567,184
-	1,406	Nishat Textile Mills	2001-2005	Semi Annually	14.50%	-	-	5,592,808
369	645	Reliance Weaving Mills	2002-2007	Semi Annually	15.25%	1,842,858	1,935,001	3,045,414
-	600	Union Leasing	2002-2005	Semi Annually	14.50%	-	-	3,147,480
459	1,379	Shahmurad Sugar	* 2002-2006	Semi Annually	15.50%	2,297,414	2,309,131	4,747,836
100	200	Maple Leaf Cement	* 2002-2006	Semi Annually	15.25%	499,800	519,792	899,640
600	600	Crescent Leasing-II	* 2002-2007	Semi Annually	12.00%	3,000,000	3,090,000	3,312,300
-	760	Bank Alfalah	2002-2009	Semi Annually	10.00%	-	-	4,101,917
1,099	1,100	Union Bank	* 2002-2008	Semi Annually	11.00%	5,494,500	5,659,335	5,989,754
-	272	KASB Leasing	2002-2006	Semi Annually	11.50%	-	-	1,365,302
-	1,000	Paramount Leasing	2003-2007	Semi Annually	11.50%	-	-	5,015,993
252	1,010	Securetel SPV	2003-2006	Quarterly	11.50%	1,262,491	1,262,495	3,063,656
999	1,000	Ittehad Chemicals	* 2003-2008	Semi Annually	10.00%	4,996,000	5,045,960	4,998,000
1,455	5,000	First Oil and Gas Securitisation	* 2003-2008	Monthly	10.50%	7,274,986	7,274,986	21,954,789
-	1,000	Crescent Commercial Bank	2003-2008	Semi Annually	7.00%	-	-	4,999,000
778	-	Development Securitisation Trust	2004-2007	Semi Annually	7.50%	3,888,900	3,813,900	-
5,000	-	Spell Telecommunication	** 2004-2005	Semi Annually	11.00%	25,000,000	25,000,000	-
1,755	1,527	First Dawood Investment Bank - Related Party	2001-2006	Semi Annually	12.50%	8,775,000	9,126,000	8,733,677
						66,829,949	67,584,560	91,025,897

*These TFCs are pledged with commercial banks against short term borrowing facility and finance under mark-up arrangements.

** These TFCs are stated at cost, being unquoted.

15. FUND PLACEMENTS

This unsecured placement carries a mark-up of 10.5 percent per annum. The principal plus mark-up is receivable, in a lump sum, on July 21, 2005.

		2005 Rupees	2004 Rupees
16. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Current Maturity of Long-Term Receivable	12	1,000,000	-
Current Maturity of Long-Term Loan	13	129,084	106,634
Loans to Staff - Considered Good		-	1,000
Advance to Employees		122,000	-
Advances Against Ventures - Considered Doubtful		100,000	100,000
Prepayments		178,398	177,113
Accrued Income on Investments and Fund Placement		3,217,161	2,751,949
Accrued Management Fee		7,026,083	777,560
Other receivables		28,429	565,672
		11,801,155	4,479,928
Provision for Doubtful Debts		(100,000)	(100,000)
		11,701,155	4,379,928

17. CASH AND BANK BALANCES

Cash in Hand		-	20,000
Cash at Bank			
- Current Accounts	17.1	146,050	131,199
- Savings Accounts		51,712	9,156,307
		197,762	9,287,506
		197,762	9,307,506

17.1 This includes an amount of Rs. 101,609 (2004: Rs. 101,609) kept with the State Bank of Pakistan (SBP) as liquidity reserve as required by the Repealed Rules of Business for Non-Banking Financial Institutions.



		2005	2004
		Rupees	Rupees
18.	INVESTMENT INCOME		
	<i>Equity Investments</i>		
	Net Gain on Sale of Investments	1,419,586	1,606,150
	Surplus/(Deficit) Realized on Investments	2,733,383	(1,321,712)
	Dividend Income	1,541,169	469,750
	<i>Other Investments</i>		
	Return on Fund Placement	4,615,507	-
	Return on Term Finance Certificates	9,468,122	12,090,063
	Income from Reverse-Repurchase Transactions	18.1 1,651,320	3,582,245
	Fees and Charges	-	136,460
	Return on US Dollar Bearer Bonds	-	15,156
		<u>21,429,087</u>	<u>16,578,112</u>
18.1	<i>Income from Reverse-Repurchase Transactions</i>		
	Dividend/Income on Reverse-Repurchase Transaction	2,800,000	1,106,250
	(Charge)/Return on Reverse-Repurchase Transaction	(1,148,680)	2,475,995
		<u>1,651,320</u>	<u>3,582,245</u>
19.	MANAGEMENT FEE		
	Dawood Money Market Fund	19.1 10,133,941	6,068,873
	First Dawood Mutual Fund	19.2 4,797,078	-
		<u>14,931,019</u>	<u>6,068,873</u>
19.1	Management fee is charged at the rate of 0.75 percent of Net Asset Value (NAV) of the Fund under management. The Company is entitled to receive management fee up to a maximum of 3 percent of NAV of the Fund, on account of services rendered.		
19.2	The remuneration of the Investment Adviser has been determined at the rate of 3 percent of average monthly net assets of the Company, in accordance with Rule 53 of the NBFC Rules.		
20.	ADMINISTRATON AND OPERATING EXPENSES		
	Salaries and Allowances	20.1 & 20.2 3,145,751	3,248,261
	Rent, Rates and Taxes	456,723	943,469
	Postage, Telegram and Telephones	303,203	236,944
	Legal and Professional Charges	3,085,674	3,597,990
	Printing and Stationery	171,680	183,812
	Travelling, Conveyance and Entertainment	436,174	590,028
	Vehicle Running Expense	688,640	599,953
	Advertisement	228,750	357,300
	Electricity	423,083	157,300
	Repairs and Maintenance	445,322	668,293
	Auditors' Remuneration	20.3 145,240	169,827
	Insurance	295,246	264,914
	Depreciation	1,880,368	2,271,421
	Newspapers, Magazines and Subscriptions	362,958	455,621
	Directors' Fee	17,000	9,500
	Share Transfer Fee	1,500	159
	Brokerage and Commission	10,374	7,668
	Donation	20.4 6,786	52,786
	Others	608,522	33,174
		<u>12,712,994</u>	<u>13,848,420</u>



20.1 This includes Rs.191,409/-(2004: 301,340/-) representing contributions to staff retirement benefits.

20.2 *Remuneration of Chief Executive, Director and Executives*

	2005			2004		
	Chief Executive	Director	Executive	Chief Executive	Director	Executives
Managerial Remuneration	694,149	-	627,837	752,500	-	1,207,994
House Rent	280,630	-	252,579	232,200	-	396,682
Medical	51	-	10,697	6,539	-	24,694
Utilities	66,909	86,780	60,426	-	102,682	-
Provident Fund	64,512	-	58,068	51,600	-	86,566
	<u>1,106,251</u>	<u>86,780</u>	<u>1,009,607</u>	<u>1,042,839</u>	<u>102,682</u>	<u>1,715,936</u>
Number of Executives	1	1	1	1	1	3

The Chief Executive, Director and Executives have been provided company maintained cars.

Executive means an employee other than Director and Chief Executive, whose basic salary exceeds Rs. 500,000/- (2004: Rs. 100,000), in a financial year.

	2005 Rupees	2004 Rupees
20.3 <i>Auditors' Remuneration</i>		
Annual Audit Fee	100,000	85,000
Certification Fee	-	42,500
Fee for half Yearly Review	25,000	25,000
Out-of-Pocket Expenses	<u>20,240</u>	<u>17,327</u>
	<u>145,240</u>	<u>169,827</u>
20.4 No director or his or her spouse had any interest in the donee's fund.		
21. <i>FINANCIAL CHARGES</i>		
Financial Charges on Lease Obligations	91,765	268,468
Financial Charges on Short-Term Finance under Mark-up Arrangement	624,836	587,912
Financial Charges on Short-Term Borrowing	8,641,308	2,597,147
Bank Charges	<u>35,651</u>	<u>25,681</u>
	<u>9,393,560</u>	<u>3,479,208</u>
22. <i>OTHER INCOME</i>		
Gain on Disposal of Fixed Assets	5,928,325	-
Return on Securities Lending	514,528	-
Rental Income	330,321	538,200
Return on Venture Investments	-	373,151
Sales Load on Units	13,885	504,690
Miscellaneous	<u>68,850</u>	<u>114,586</u>
	<u>6,855,909</u>	<u>1,530,627</u>
23. <i>RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT</i>		
Profit Before Taxation	<u>21,109,460</u>	<u>6,849,984</u>
Tax Charge at Enacted Rate of 35 percent	<u>7,388,311</u>	<u>2,397,494</u>
Effect of Taxable/(Deductible) Expenses	370,112	158,952
Tax Effect of Exempt Income and Income Subject to Reduced Rate of Tax	(2,972,948)	(703,077)
Others	<u>(267,653)</u>	<u>94,552</u>
	<u>4,517,822</u>	<u>1,947,921</u>



	2005 Rupees	2004 Rupees
<i>24. EARNINGS PER SHARE - Basic and Diluted</i>		
Profit after Taxation	16,591,638	4,902,063
Number of Ordinary Shares	<u>10,000,000</u>	<u>10,000,000</u>
Earnings per Share – Basic and Diluted	<u>1.66</u>	<u>0.49</u>

25. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of related group companies, directors and their close family members, senior executives, retirement benefit plans, major shareholders of the company and funds under management. Transactions with the related parties during the year were as follows:

Share of Common Expenses (net)	2,865,290	3,120,174
Vehicle Obtained Under Finance Lease	<u>-</u>	<u>404,000</u>
Sale of Property	6,877,000	-
Sale of Term Finance Certificates	15,253,491	-
Interest on Term Finance Certificates	1,101,491	935,288
Payment of Lease Rentals	740,240	1,682,263
Investment in Fund	-	35,446,011
Management Fee	10,133,941	6,068,851
Funds Borrowed	130,100,000	67,200,000
Repayment of Borrowings	130,100,000	67,200,000
Payment of Financial Charges on Borrowings	1,123,305	101,859
Redemption of Units	13,619,997	30,687,912
Bonus Units	3,126,063	-
Receipt of Sales Load on Units	196,548	908,612
Investment in Units	65,500,000	-
Preliminary Expenses	5,000,000	-

The Company has not entered into any transaction with director and senior executives other than those provided under the company's policies and terms of employment.



26. INTEREST RATE RISK MANAGEMENT

Interest Rate Risk is the risk that arises when the value of financial instrument fluctuates due to changes in market interest rates. The information relating to the Company's exposure to Interest Rate Risk is as follows:

	Effective Yield / Interest Rate %	2005			Not exposed to Yield/Interest rate risk	Total
		Exposed to Yield/Interest Rate Risk				
		Less than one Month	Upto One Year	Over one year Rupees		
<i>Financial Assets</i>						
Venture Investment	-	-	-	-	1,750,000	1,750,000
Long-Term Receivable	-	-	-	-	5,000,000	5,000,000
Long-Term Loans	14.00	-	129,084	345,400	-	474,484
Long-Term Deposits	-	-	-	-	65,800	65,800
Investments - Available for sale	7.00 - 15.50	-	67,584,560	-	155,877,715	223,462,275
Fund Placement/Deposit	10.50	15,000,000	-	-	-	15,000,000
Loans, Advances and Other Receivables	-	-	-	-	10,522,757	10,522,757
Cash and Bank Balances	2.50	51,712	-	-	146,050	197,762
		15,051,712	67,713,644	345,400	173,362,322	256,473,078
<i>Financial Liabilities</i>						
Obligation under Finance Lease	10.00	-	552,349	32,911	-	585,260
Short-Term Borrowings	10.00 - 11.00	-	89,000,000	-	-	89,000,000
Finance under Mark-up arrangement	9.00	6,717,916	-	-	-	6,717,916
Short term Deposits	-	-	-	-	269,100	269,100
Accrued and other Liabilities	-	-	-	-	3,293,914	3,293,914
		6,717,916	89,552,349	32,911	3,563,014	99,866,190
On balance sheet gap June 30, 2005		8,333,796	(21,838,705)	312,489	169,799,308	156,606,888
On balance sheet gap June 30, 2004		(5,000,000)	(22,748,698)	86,156,421	77,256,497	135,664,220

27. LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Investment Advisor manages liquidity risk by monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

The Fund is not materially exposed to liquidity risk as all obligations/commitments of the Fund are short term in nature and all assets of the Fund are readily disposable on the stock exchanges and over-the-counter market.

28. CREDIT RISK

Credit risk arising from the inability of the counter parties to meet the terms of the Company's financial instrument contracts is generally limited to the amounts, if any, by which the counter party obligations exceed the obligations of the company. Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the company's total credit exposure. The company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counter parties thereby mitigating any significant concentrations of credit risk.



29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledge willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Financial assets which are tradable in an open market are revalued 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 the items are short term in nature.

30. APPROVAL

These financial statements were authorised for issue in Board of Directors meeting held on September 6, 2005.

31. NUMBER OF EMPLOYEES

Total number of employees as at year end is 9 (2004 : 9).

32. FIGURES

Figures have been rounded off to nearest rupee.

Tara Uzra Dawood
Chief Executive Officer

Hasib Ahmed
Director



PATTERN OF SHARE HOLDING AS AT JUNE 30, 2005

No. of Shareholders	Share Holding			Total Shares Held
	From		To	
213	1	-	100	19,300
218	101	-	500	101,100
38	501	-	1,000	37,600
65	1,001	-	5,000	173,200
7	5,001	-	10,000	56,500
3	10,001	-	15,000	38,000
6	15,001	-	20,000	112,700
2	20,001	-	25,000	49,000
1	25,001	-	30,000	25,600
1	40,001	-	45,000	42,500
1	45,001	-	50,000	50,000
1	70,001	-	75,000	75,000
3	75,001	-	80,000	235,600
2	80,001	-	85,000	164,800
1	90,001	-	95,000	90,100
4	95,001	-	100,000	400,000
2	115,001	-	120,000	237,000
1	170,001	-	175,000	175,000
1	300,001	-	305,000	304,000
1	385,001	-	390,000	388,300
1	405,001	-	410,000	406,700
1	700,001	-	705,000	700,000
1	795,001	-	800,000	800,000
1	895,001	-	900,000	900,000
1	1,915,001	-	1,920,000	1,918,000
1	2,500,001	-	2,505,000	2,500,000
577				10,000,000

Categories of Shareholders

Particulars

Individuals
 Joint-Stock Companies
 Financial Institutions
 Modaraba Companies
 Foreign Investor

Number of Shareholders	Total Shares Held	Percentage
560	1,159,800	11.60
7	409,800	4.10
7	4,637,800	46.38
2	1,292,600	12.93
1	2,500,000	25.00
577	10,000,000	100.00



PATTERN OF SHARE HOLDING AS AT JUNE 30, 2005

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO OF SHARES HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
1.	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES First Dawood Investment Bank Ltd. Guardian Modaraba	3,000,000 1,290,100	2	4,290,100	42.90%
2.	NTI/ICP Investment Corporation of Pakistan National Bank of Pakistan - Trustee Dept.	1,000 900,000	2	901,000	9.01%
3.	DIRECTORS, CHIEF EXECUTIVE OFFICER & THEIR SPOUSES & MINOR CHILDREN Miss Tara Uzra Dawood Mr. Anwar A. Sheikh	2,500 2,500	2	5,000	0.05%
4.	EXECUTIVES		-	-	-
5.	PUBLIC SECTOR COMPANIES AND CORPORATION		3	901,000	9.01%
6.	BANKS, DFIs, INSURANCE COs. MODARABAS & MUTUAL FUNDS		8	8,430,400	84.30%
7.	SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY First Dawood Investment Bank Ltd. Guardian Modaraba Asian Development Bank	3,000,000 1,290,100 2,500,000	3	6,790,100	67.90%
8.	OTHERS		7	409,800	4.10%



**FORM OF PROXY
XIV ANNUAL GENERAL MEETING**

Dawood Capital Management Ltd.
Karachi.

I/We _____ of
_____ (full address)

being a member of Dawood Capital Management Limited Folio # _____ do hereby appoint

Mr./Ms. _____ Folio # _____

of _____ (full address) (or failing him)

Mr./Ms. _____ Folio # _____

of _____ (full address)

being another member of the Company as my/our proxy to attend and vote for me/us on my/our behalf, at the **XIV Annual General Meeting** of the Company to be held on October 24, 2005 at 10:30 hours and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2005, signed by the said
_____ in the presence of

Mr./Ms. _____

of _____ (full address)

**REVENUE
STAMP
Rs. 5/-**

Signature of Witness

Signature(s) and or Seal

Important Notes :

1. The share transfer books of the Company will remain closed from October 18, 2005 to October 24, 2005 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person other than a member shall act as a proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered office of the Company, 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. If more than one instrument of proxy appointing more than one person is deposited with the Company, all such instruments of proxy shall be rendered invalid.
5. This signature on the Instrument of Proxy must conform to the specimen signature recorded with the Company.
6. CDC account holders will in addition have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting.