



PAKISTAN VENTURE CAPITAL LIMITED

ANNUAL REPORT
2004

MANAGER OF
Dawood Money Market Fund



CORPORATE INFORMATION

Board of Directors	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 BRRI) (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	
Auditors	Taseer Hadi Khalid & co. Chartered Accountants		
Legal Advisors	Rauf & Ghaffar Law Associates Advocates Suite No.65, 5th Floor, Fareed Chamber Abdullah Haroon Road, Saddar, Karachi.		
Bankers	Bank AL Habib Ltd. Oman International Bank S.A.O.G. Metropolitan Bank Ltd.		
Registered Office	5-B, Lakson Square Building # 1, Sarwar Shaheed Road, Karachi - 74200 Tel: (021) 568-7778 / 9 Fax: (021) 568-5830 E-Mail: dlc@cyber.net.pk		
Shares Registrar	Technology Trade (Pvt.) Ltd. 241-C, Block-2, P.E.C.H.S. Karachi. Tel: (021) 439-1316, 439-1317		

FINANCIAL HIGHLIGHTS



	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
Paid-Up-Capital	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Shareholders' Equity	142.40	135.69	130.78	123.20	118.48	115.91	138.84
Total Assets	187.06	174.75	135.50	127.38	122.64	126.67	139.05
Short-Term Investment in Securities	164.86	154.79	103.18	84.07	44.24	27.98	17.51
Short-Term Investment in Deposits	-	-	-	33.04	50.50	20.00	75.00
Income From Investment	16.58	16.75	18.56	11.83	13.84	11.69	15.28
Other Income	1.53	0.70	1.01	1.83	4.49	4.40	2.06
Profit Before Taxation	6.85	7.90	9.60	6.25	13.68	9.88	9.10
Taxation	1.95	1.64	2.55	1.17	1.10	2.81	3.07
Profit After Taxation	4.90	6.25	7.05	4.54	12.57	7.07	6.03
Book Value Per Share	14.24	13.57	13.08	12.30	11.87	11.59	13.88
Earnings Per Share	0.49	0.63	0.71	0.45	1.26	0.70	0.60



DIRECTORS' REPORT

The Directors of the Pakistan Venture Capital Limited ("PVCL" or "The Company") are pleased to present the Thirteenth Annual Report along with the audited financial statements for the year ended June 30, 2004.

1. Operations and Performance

	June 30, 2004	June 30, 2003
 Rupees	
Income From Investments	16,578,112	16,753,100
Management Fee	6,068,873	630,000
Other Income	1,530,627	700,853
Total Income	24,177,612	18,083,953
Administration And Operating Expenses	13,848,420	9,169,018
Financial Charges	3,479,208	1,020,087
Total Expenses	17,327,628	10,189,105
Profit Before Taxation	6,849,984	7,894,848
Profit After Taxation	4,902,063	6,254,621

On May 18, 2003, PVCL floated Dawood Money Market Fund ("DMMF"), an open-end money market fund, with a core capital of Rs. 300 Million. During the period under review, the net asset value of DMMF has grown to Rs. 1.313 Billion. This resulting increase in revenue from management fee to Rs. 6.069 Million from the previous year's Rs. 0.630 Million, increased gross income to Rs. 24.178 Million. Other increases in income include income from reverse-repurchase transactions of Rs. 3.582 million from Rs. 0.841 million and return of term finance certificates to Rs. 12.090 million from Rs. 10.692 million during the previous period.

Furthermore:

- The surplus on revaluation of investments as at June 30, 2004 was Rs. 11.579 million as compared to Rs. 9.769 million last year.
- Net assets of the Company increased by 4.95% to Rs. 142.398 million as compared to Rs. 135.687 million last year.
- The break-up value of shares has also increased from Rs. 13.57 to Rs. 14.24 per share.
- Earnings per share has also slightly changed to Rs. 0.49 from Rs. 0.63 per share.

The Company exercised tight control over operating expenses. However, administration and operating expenses were higher than last year due to costs incurred in managing Dawood Money Market Fund (DMMF). Additionally, financial charges increased by Rs. 2.459 million due to additional bank borrowings for growth in business activities. Corresponding income from reverse-repurchase transactions increased by Rs. 2.741 million.

While DMMF continues to grow, PVCL has plans to float a second fund, a closed-end balanced fund, titled First Dawood Mutual Fund ("FDMF") with a capital size of 500 million. Formalities regarding appointment of Trustees and approval of Trust Deed are under process.

Due to the initial start-up costs of DMMF, including hiring new personnel, legal and registration fees, management believes it is better for the future growth of the Company to not declare a dividend this year and to instead reinvest the funds in launching FDMF.



2. Cash Flow

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

	June 30, 2004	June 30, 2003
	< ----- Rupees ----- >	
Net Cash Flow from/ (used in) Operating Activities	644,998	(37,912,558)
Net Cash Flow from Investing Activities	3,357,926	2,816,990
Net Cash Flow from Financing Activities	19,168,627	3,299,898
Net Increase / (Decrease) in Cash and Cash Equivalent	23,171,551	(31,795,670)
Cash and Cash Equivalent at Beginning of the Year	(18,864,045)	12,931,625
Cash and Cash Equivalent at End of the Year	4,307,506	(18,864,045)

3. Investment

The company also continued its policy of participating in the corporate debt market and invested Rs. 21.7 million and Rs. 5 million on the pre-IPO of First Oil & Gas Securitization and Fidelity Investment Bank Limited respectively.

The total portfolio of TFCs stands at Rs. 91.026 million at the year-end. Additional major investments include Rs. 5 million each in the Crosby Dragon Fund and DMMF and 4.25 and 9.34 in Pakistan Capital Market Fund and First Dawood Investment Bank Limited respectively.

4. Compliance with the Best Practices of the Code of Corporate Governance (“Code”)

- 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 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 of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company 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 Company’s 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.



5. Change in the Directors

Since the last report, there have been changes in the composition of the Board. During the period, the 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.

During the year 2003-04, the following changes took place in the Board of Directors:

Miss Tara Uzra Dawood was appointed as Chief Executive in place of Mr. Rafique Dawood. Mr. Abdul Latif Uqaili and Mr. Ayaz Dawood resigned during the year and Mr. Safdar Rashid and Miss Iffat Zehra Mankani were appointed as directors in their place.

The Board would like to place on record its appreciation of the sincere efforts made by the previous directors and wish to welcome on board the new appointees. The board would also like to appreciate the valuable contributions made by the outgoing Chief Executive Officer, Mr. Rafique Dawood, who will continue as Chairman.

6. Board Meetings

During the year 2003-04, six meetings of the Board Of Directors 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

7. Transaction with Connected Persons/Related Parties

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

8. Employees Relations

PVCL strongly believes that its success derives from the commitment and efforts of its employees. Our employees are our most valuable assets. The management is committed to maintain a motivational and cooperative work environment within the organization.

9. Staff Retirement Benefits

PVCL operates a provident fund scheme for all permanent employees. The value of investment is Rs. 458,432/- in the provident fund scheme.

10. Human Resource Capital

In promotion of its institutional capabilities and to assist its clients to the maximum possible extent, PVCL is, on an ongoing basis, building and strengthening its staff, to develop an efficient and sound organizational structure. Training and development of Human Resource is a continuous process that is a priority for the Company.



11. Future Outlook

In view of the positive developments in the region and continuity in the Government's economic policies, the Company is expecting continued growth. As DMMF continues to grow and with the upcoming launch of FDMF, corporate profitability should improve. The expected upturn in interest rates rise is expected to remain within control and the market will remain the preferred investment avenue.

12. Auditors

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

13. Risk Management

The growing portfolio of products and services is exposed to varying degrees of risk including credit risk, market risk, liquidity risk, interest rate risk and foreign exchange risk, which have reinforced the need for a proactive and effective risk management operation. PVCL follows two sets of guidelines on operative policy duly approved by the Board of Directors and the Prudential Regulations for Non-Banking Financial Companies ("NBFC") issued by the Securities & 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. PVCL also manages liquidity risk by matching availability of liquid funds before committing for liabilities and also on a timely basis, conducts an analysis of liquid funds with maturities of liabilities.

PVCL manages its foreign exchange exposure by matching foreign currency assets and liabilities.

14. 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 statement and are required to observe these rules of conduct in relation to business and regulations.

16. Change of Company's Name

To better reflect the growing nature of the Company and at the request and with the approval of the Securities & Exchange Commission of Pakistan (SECP), the company's existing name of Pakistan Venture Capital Limited is proposed to be changed to Dawood Capital Management Limited (DCM).

17. Trading/Dealing in Shares of the Company

During the period, no trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

18. Audit Committee

As per the Code, the Audit Committee of PVCL comprises of the following Board 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. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code.

19. Key Financial Highlights

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



20. Pattern of Shareholding

The pattern of Shareholding as on June 30, 2004 along with disclosure as required under the Code is annexed.

21. 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.

22. Acknowledgement

On behalf of the Board of Directors, 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 regulatory authorities for their encouragement and guidance and especially the Securities & Exchange Commission of Pakistan for their impressive efficiency and support, We also wish to thank our stakeholders for their confidence in the management and to express appreciation for our management team and supporting staff for their dedication and hard work in running the affairs of the Company.

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

September 06, 2004
Karachi.

**Rafique Dawood
Chairman**



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 the listing regulations of the Karachi Stock Exchange for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company had complied 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 mean **57.14%** 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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI 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. A casual vacancy occurring in the Board 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 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 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 were presided over by the Chairman and, in his absence, by a director elected by the Board 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, NBFCs Rules, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of associations and are aware of their duties and responsibilities. Directors have also attended talks, 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 Company were subjected to limited scope review by the statutory auditors.



15. Annual Accounts are being circulated within three months of the close of the Company's financial year.
16. 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.
17. The company 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 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 has formed an Audit Committee. It comprises three (3) members all are Non-Executive Directors.
21. The meetings of the audit committee were held at least once every quarter prior to approval of 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.
22. The Audit Committee members also met with External Auditor of the company without Chief Financial Officer and Internal Auditor as required under the provisions of Code of Corporate Governance.
23. The name of the members of the audit committee have been disclosed in the annual report of the Company.
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 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 Company 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 has been provided for external auditors' review.
28. 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.
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**

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



Taseer Hadi Khalid & Co.
Chartered Accountants

P.O. Box No. 8517
Karachi 75530
Pakistan

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

Telephone +92 (21) 568 5847
Fax +92 (21) 568 5098

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 to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange 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 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 Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi :

Taseer Hadi Khalid & Co.
Chartered Accountants

Date : September 06, 2004



Taseer Hadi Khalid & Co., a partnership firm registered in Pakistan, is the Pakistan member firm of KPMG International, a Swiss Cooperative.



AUDITORS' REPORT TO THE MEMBERS



Taseer Hadi Khalid & Co.
Chartered Accountants

P.O. Box No. 8517
Karachi 75530
Pakistan

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

Telephone +92 (21) 568 5847
Fax +92 (21) 568 5098

We have audited the annexed balance sheet of Pakistan Venture Capital Limited as at 30 June 2004 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 includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides 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;
 - 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 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 30 June 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi :

Date : September 06, 2004

Taseer Hadi Khalid & Co.
Chartered Accountants



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Pakistan Venture Capital Limited

Balance Sheet

As at 30 June 2004



	Note	2004	2003
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
Statutory Reserve	3	10,630,264	10,630,264
General Reserve		15,000,000	15,000,000
Surplus on Revaluation of Investments		11,578,842	9,769,379
Unappropriated Profit		5,189,122	287,059
		142,398,228	135,686,702
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	4	585,260	1,024,794
CURRENT LIABILITIES			
Current Maturity of Liabilities Against Assets Subject to Finance Lease	4	648,475	1,218,736
Short-Term Borrowing from Financial Institutions	5	35,700,000	5,000,000
Finance Under Markup Arrangements	6	5,000,000	19,061,793
Short-Term Deposits		269,100	269,100
Accrued and Other Liabilities	7	1,381,520	816,812
Proposed Dividend		-	10,000,000
Unclaimed Dividend		1,079,396	928,506
Provision for Taxation		-	744,414
		44,078,491	38,039,361
CONTINGENCIES AND COMMITMENT	8	-	-
	Rupees	187,061,979	174,750,857

The annexed notes 1 to 29 form an integral part of these financial statements.

Tara Uzra Dawood
Chief Executive Officer

As at 30 June 2004



Mir Muhammad Ali
Director

Pakistan Venture Capital Limited

Profit and Loss Account

For the year ended 30 June 2004



	Note	2004	2003
Income			
Income from Investments	16	16,578,112	16,753,100
Management Fee	17	6,068,873	630,000
Other Income	18	1,530,627	700,853
		<u>24,177,612</u>	<u>18,083,953</u>
Expenditure			
Administration and Operating Expenses	19	13,848,420	9,169,018
Financial Charges	20	3,479,208	1,020,087
		<u>17,327,628</u>	<u>10,189,105</u>
Profit Before Taxation		<u>6,849,984</u>	<u>7,894,848</u>
Taxation	21		
Current		2,135,000	2,105,000
Prior		13,300	-
Deferred		(200,379)	(464,773)
		<u>1,947,921</u>	<u>1,640,227</u>
Profit for the Year		<u><u>4,902,063</u></u>	<u><u>6,254,621</u></u>
Earnings Per Share - Basic	22 Rupees	<u><u>0.49</u></u>	<u><u>0.63</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

Tara Uzra Dawood
Chief Executive Officer

Mir Muhammad Ali
Director

Pakistan Venture Capital Limited

Cash Flow Statement

For the year ended 30 June 2004



	2004	2003
Cash Flows from Operating Activities		
Profit Before Taxation	6,849,984	7,894,848
Adjustment for Non Cash Items		
Depreciation	2,271,421	2,201,481
Financial Charges	3,479,208	1,020,087
	5,750,629	3,221,568
Operating Profit Before Working Capital Changes	12,600,613	11,116,416
(Increase)/Decrease in Current Assets		
Investments	(8,262,150)	(42,966,747)
Loans, Advances, Prepayments and Other Receivables	2,418,957	(3,383,246)
(Decrease)/Increase in Accrued and Other Liabilities	528,117	7,898
	(5,315,076)	(46,342,095)
Cash Used in Operations	7,285,537	(35,225,679)
Income Tax Paid	(3,466,389)	(2,233,775)
Financial Charges Paid	(3,174,150)	(453,104)
<i>Net Cash Flow from Operating Activities</i>	644,998	(37,912,558)
Cash Flows from Investing Activities		
Venture Investments	4,000,000	3,072,883
Long-Term Loans	114,274	(135,763)
Long-Term Deposits	42,600	100,000
Purchase of Fixed Assets	(798,948)	(220,130)
Proceeds from Disposal of Fixed Assets	-	-
<i>Net Cash Flow from Investing Activities</i>	3,357,926	2,816,990
Cash Flows from Financing Activities		
Repayment of Obligations Under Finance Lease	(1,682,263)	(1,666,160)
Short-Term Borrowing	30,700,000	5,000,000
Dividend Paid	(9,849,110)	(33,942)
<i>Net Cash Flow from Financing Activities</i>	19,168,627	3,299,898
Net Decrease in Cash and Cash Equivalents	23,171,551	(31,795,670)
Cash and Cash Equivalents at Beginning of the Year	(18,864,045)	12,931,625
Cash and Cash Equivalents at End of the Year	4,307,506	(18,864,045)
	<i>Rupees</i>	
Components of Cash and Cash Equivalents		
Cash and Bank Balances	9,307,506	197,748
Finance Under Mark-Up Arrangement	(5,000,000)	(19,061,793)
	4,307,506	(18,864,045)
	<i>Rupees</i>	

The annexed notes 1 to 29 form an integral part of these financial statements.

Tara Uzra Dawood
Chief Executive Officer

Mir Muhammad Ali
Director

Pakistan Venture Capital Limited
Statement of Changes in Equity
For the year ended 30 June 2004



	Issued, Subscribed & Paid-up Capital	Statutory Reserve	General Reserve	Surplus on Revaluation of Investments	Unappropriated Profit	Total
Balance as at 1 July 2002	100,000,000	9,821,413	10,000,000	1,120,808	9,841,289	130,783,510
Profit for the Year	-	-	-	-	6,254,621	6,254,621
Surplus on Revaluation of Securities	-	-	-	8,648,571	-	8,648,571
Transfer to Statutory Reserves	-	808,851	-	-	(808,851)	-
Transfer to General Reserves	-	-	5,000,000	-	(5,000,000)	-
Cash Dividend	-	-	-	-	(10,000,000)	(10,000,000)
Balance as at 1 July 2003	100,000,000	10,630,264	15,000,000	9,769,379	287,059	135,686,702
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 30 June 2004 Rupees	100,000,000	10,630,264	15,000,000	11,578,842	5,189,122	142,398,228

The annexed notes 1 to 29 form an integral part of these financial statements.

Tara Uzra Dawood
Chief Executive Officer

Mir Muhammad Ali
Director



Pakistan Venture Capital Limited

Notes to the Accounts

For the year ended 30 June 2004

1. THE COMPANY AND ITS OPERATIONS

Pakistan Venture Capital Limited (“the Company” or “PVCL”) was incorporated on 18 September 1990 as a public limited company in Pakistan with its registered office in Karachi, Sindh. The company was listed on the Karachi and Lahore Stock Exchanges. However, on its own application, PVCL was de-listed from Lahore Stock Exchange on 4 August 2003.

PVCL 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 the business of asset management, investments and other related services. On 12 December 2002, PVCL 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 the repeal of the 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 (“DMMF”) on May 2003. The net assets value of the fund as on 30 June 2004 was Rs. 1.313 million (30 June 2003: Rs. 0.599 billion).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention except with regard to 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 are prepared in accordance with the approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Approved accounting standards comprise such International Accounting Standards as are 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 the said directives take precedence.

2.3 Employee Retirement Benefits – Contributory Plan

PVCL operates unrecognised 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 amount 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.

During the year the company changed its practice of charging depreciation from a full year basis to 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. Had this change not been made the charge for the year would have been higher and profit lower by Rs. 95,173.

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 the 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 the 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 9.

2.6 Investments

2.6.1 Venture Investments

Venture investments are made to assist the promoters of industrial units or new projects engaged in manufacturing, trading or service activities, involving risk oriented new technology, market, up-gradation 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 the Profit and Loss account.

Redeemable Capital

These are stated at present value of minimum installments due under the agreement. Provision is made for debts considered doubtful in accordance with the requirements of Rules of Business for Non Banking Financial Institutions.

2.6.2 Investments in Securities

Initial Measurement

Investments in securities are recognized on a trade-date basis and are initially measured at cost.



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. 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 off during the respective year.

2.7 Revenue recognition

Venture Investments

Equity

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

Redeemable Shares

The difference between the face value and redemption value of redeemable shares is allocated to accounting periods in a manner so as to produce a constant periodic rate of return.

Redeemable Capital

Profit on redeemable capital is allocated to accounting periods in a manner so as to produce a constant periodic rate of return.

Cumulative Preference Shares

Dividend on cumulative preference shares is recognized on accrual basis.

Management fees

Management fees are recognized on an accrual basis on the Net Asset Value (NAV) of the fund on a daily product basis.

Other Investments

Gains and losses on the 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 purchased /sold with the corresponding commitment to resell / repurchase at a specified future date are not recognised at the balance sheet date .The difference between the purchase /sale and resale / repurchase price is

treated as return / income earned from reverse repurchase / repurchase transactions and recognised at the settlement date.

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 using the following methods:

Nature of Transactions	Method Adopted
Borrowings / Lendings / Placements	Cost Plus Method
Lease Finance Facilities	Comparable Uncontrolled Valuation Method
Investment in Securities	Comparable Uncontrolled Valuation Method
Administrative and Operating Expenses	Actual Basis
Salaries, Remuneration, etc.	Company Policy / Terms of Employment

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 the 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. STATUTORY RESERVE

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. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum Lease Payments	2004 Financial Charges for Future Periods	Principal Outstanding
Not Later Than One Year	740,240	91,765	648,475
Later than One Year and Not Later than Five Years	624,175	38,915	585,260
<i>Rupees</i>	<u>1,364,415</u>	<u>130,680</u>	<u>1,233,735</u>



2003			
	Minimum Lease Payments	Financial Charges for Future Periods	Principal Outstanding
Not Later than One Year	1,473,260	254,524	1,218,736
Later than One Year and Not Later than Five Years	1,129,215	104,421	1,024,794
<i>Rupees</i>	<u>2,602,475</u>	<u>358,945</u>	<u>2,243,530</u>

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 ranging from 10.01 percent to 18.77 percent per annum, which are used as discounting factors. An additional charge of Rs.100 per day is leviable on the over due rentals. The arrangements are for a period of three years and rentals are payable monthly and quarterly.

5. SHORT TERM BORROWING FROM FINANCIAL INSTITUTIONS

This represents a secured borrowing carrying mark-up at the rate of 4.25 percent per annum payable on quarterly basis. The facility is secured by pledge of Term Finance Certificates. The principal amount is payable in a lump sum on 16 August 2004.

6. FINANCE UNDER MARK-UP ARRANGEMENT

This represents approved running finance facility of Rs.10 million (2003: Rs. 40 million) obtained from a commercial bank and is renewable on a yearly basis. The facility is secured by pledge of Term Finance Certificates. The facility carries mark-up ranging from 6.50 percent to 8.00 percent per annum (2003: 8.00 percent to 9.00 percent per annum) and are payable by 30 September 2004.

7. This includes amount due to associated undertaking of Rs. 198 (2003: 198). The maximum amount due to associated undertaking at the end of any month during the year was Rs. 1,665,209 (2003: Rs. 1,717,648).

8. CONTINGENCIES AND COMMITMENT

In finalizing the assessment for the years 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 appeal with the Commissioner of Income Tax Appeals that has not been heard yet. 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.

Commitment

The company has entered into a Pre-Initial Public Offering agreement of Pakistan Strategic Allocation Fund amounting to Rs. 2.5 million.

9. OPERATING FIXED ASSETS – at cost less accumulated depreciation

	C o s t				D e p r e c i a t i o n			Book
	As at 1 July 2003	Additions	As at 30 June 2004	Rate %	As at 1 July 2003	For the Year	As at 30 June 2004	Value as at 30 June 2004
<i>Owned</i>								
Office Premises	6,005,000	-	6,005,000	10	3,983,334	673,888	4,657,222	1,347,778
Furniture Fittings	559,673	535,458	1,095,131	10	351,477	41,419	392,896	702,235
Office Equipment	971,459	203,190	1,174,649	20	749,287	113,693	862,980	311,669
Vehicles	1,087,240	60,300	1,147,540	20	869,790	225,488	1,095,278	52,262
	<u>8,623,372</u>	<u>798,948</u>	<u>9,422,320</u>		<u>5,953,888</u>	<u>1,054,488</u>	<u>7,008,376</u>	<u>2,413,944</u>

**Leased**

Vehicle		5,849,000	404,000	6,253,000	20	2,022,800	1,216,933	3,239,733	3,013,267
2004	<i>Rupees</i>	14,472,372	1,202,948	15,675,320		7,976,688	2,271,421	10,248,109	5,427,211
2003	<i>Rupees</i>	12,668,242	1,804,130	14,472,372		5,775,207	2,201,481	7,976,688	6,495,684

Fixed assets include office premises which are temporarily rented out till the company disposes off this property as the company cannot apply any of its assets to real estate except property for its own use under Sub-clause (f) of clause 1 of Rule 64 of Non Banking Finance Companies (Establishment and Regulation) Rules, 2003.

10. VENTURE INVESTMENTS

Available for sale	10.1 & 10.2	<i>Rupees</i>	2004 1,750,000	2003 5,750,000
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10.1 Investments in Equity Capital in Unlisted Companies

Number of Shares		Name of Company			2004	2003
2004	2003					
-	4,000	Eveready Pictures (Private) Limited (Preference Shares of Rs 1,000/- each Chief Executive Mr. Satish Anand)			-	4,000,000
100,000	100,000	Panj Darya Ceramics (Private) Limited (Ordinary Shares of Rs 10/- each. Chief Executive: Mr. Abdus Saboor Mir)	10.1.1	1,000,000		1,000,000
50,000	50,000	Sapphire Power Generation Limited (Ordinary shares of Rs 10/- each Chief Executive Mr. Shahid Abdullah)	10.1.2	1,750,000		1,750,000
				2,750,000		6,750,000
		Current portion Shown Under Current Assets		-		-
		Impairment loss		(1,000,000)		(1,000,000)
			<i>Rupees</i>	1,750,000		5,750,000

10.1.1 Annual rate of return on equity shares of Panj Darya Ceramics (Private) Limited (the investee) was 10 percent. It was agreed that the sponsors shall buy-back the entire equity participation shares at a price of Rs 140 per share or break-up value of the company's shares whichever is higher, after two years from the date of investment. However the investee has defaulted on its commitments and wound-up its operation therefore the fair value has been taken as Nil.

10.1.2 The net assets of the Company are based on audited financial statements as at 30 June 2003 amounts to Rs.552.900 million (2002: Rs. 495.878 million).

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

		30 June 2003	30 June 2002
Sales	<i>Rupees</i>	659,026,030	564,603,074
Operating Income	<i>Rupees</i>	61,259,475	34,520,068
Profit After Taxation	<i>Rupees</i>	57,021,721	20,884,524
Basic Earning Per Share	<i>Rupees</i>	6.08	2.23



10.2 Investments in Listed Companies

Number of Ordinary Shares of Rs. 10 Each			2004	2003
2004	2003			
28,500	200,000	Gauhar Engineering Limited	285,000	2,000,000
		Impairment Loss	(285,000)	(2,000,000)
			<u>-</u>	<u>-</u>
		<i>Rupees</i>		

The aggregate market value of these securities was Rs. 0.171 million (2003: Rs. 0.990 million). The company has discontinued its operations therefore the fair value has been taken as Nil.

11. LONG TERM LOAN - Unsecured, Considered Good

		2004	2003
Executive	11.1	159,254	273,528
Current Maturity Shown Under Current Assets		(106,634)	(114,274)
	<i>Rupees</i>	<u>52,620</u>	<u>159,254</u>

11.1 Outstanding for Period

Exceeding Three Years		-	-
Others		159,254	273,528
	<i>Rupees</i>	<u>159,254</u>	<u>273,528</u>

11.2 The loan has been provided to facilitate construction / renovation of residential accommodation, which is repayable over the period of 3 years with the mark-up rate of 5 percent per annum.

The maximum aggregate amount due at the end of any month from the executive was Rs. 264,223 respectively (2003: Rs. 302,047 respectively).

12. DEFERRED TAX

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

Debit Balance Arising in Respect of Accelerated Accounting Depreciation		140,277	971,378
Debit / (Credit) Balance Arising in Respect of Finance Lease Obligation		477,545	(553,935)
Net Deferred Tax Asset	<i>Rupees</i>	<u>617,822</u>	<u>417,443</u>

13. INVESTMENTS

Available for sale	13.1 <i>Rupees</i>	<u>164,863,815</u>	<u>154,792,203</u>
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13.1 Available for Sale

		2004		2003
		Cost	Fair value	Fair value
Units of Open End Mutual Funds	13.1.1	54,065,584	60,168,010	50,716,571
Government Securities	13.1.2	-	-	11,560,000

Listed Securities:



- Quoted Shares	13.1.3	12,321,474	13,669,908	-
- Term Finance Certificates	13.1.4	86,897,915	91,025,897	86,015,632
Unlisted Securities		-	-	6,500,000
		153,284,973	164,863,815	154,792,203
Surplus on Revaluation of Securities		11,578,842	-	-
	Rupees	164,863,815	164,863,815	154,792,203

13.1.1 Units of Open end Mutual Funds

	Number of Units		2004		2003
	2004	2003	Cost	Fair value (Rupees)	Fair value (Rupees)
Unit Trust of Pakistan	439	375	2,547,903	3,778,912	3,016,500
Pakistan Stock Market Fund	26,505	20,550	1,000,000	2,978,091	1,832,862
Dawood Money Market Fund	446,068	398,033	44,950,573	47,784,142	40,506,150
Pakistan Income Fund	11,179	94,518	567,108	609,365	5,361,059
Crossby Dragon Fund	50,000	-	5,000,000	5,017,500	-
			54,065,584	60,168,010	50,716,571

13.1.2 Government Securities

	Rupees	2004		2003
		Cost	Fair value	Fair value
Investment in US Dollar Bearer Bonds		-	-	11,560,000

13.1.3 Quoted Shares

All shares represent fully paid ordinary shares of Rs. 10 each, unless otherwise stated.

Number of Shares / Certificates		Name of Companies / Modarabas	2004	2003
2004	2003		Fair value	
Mutual Funds				
415,000	-	Pakistan Capital Market Fund	4,253,750	-
Investment Bank / Investment Companies / Security Companies				
524,728	-	First Dawood Investment Bank Limited	9,340,158	-
Oil and Gas Exploration Companies				
1000	-	Oil and Gas Development Company Limited	64,500	-
Transport				
500	-	Pakistan International Container Terminal Limited	11,500	-
			<i>Rupees</i>	
			13,669,908	

13.1.4 Term Finance Certificates

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

2004 No. of Certificates	2003	Period of Redemption	Terms of Redemption	Rate %	2004		2003
					Cost	Fair value	Fair value
-	2,000	Dewan Salman Fibres Limited	1999-2004	Semi Annually	19.00	-	5,461,938
1,000	1,000	Orix Leasing Pakistan Limited	2001-2005	Semi Annually	14.00	4,071,000	5,573,538
-	782	Engro Asahi Polymer Limited	2001-2006	Semi Annually	13.20	-	4,561,273
280	280	Pakistan PTA Limited	2001-2006	Semi Annually	16.00	1,165,971	1,395,901
1,000	1,000	Gulistan Textile Mills Limited	2001-2006	Semi Annually	14.00	4,163,340	5,650,608
1,527	1,527	Dawood Leasing Company Limited	2001-2006	Semi Annually	13.75	7,635,000	9,159,710
1,406	1,406	Nishat Textile Mills Limited	2001-2005	Semi Annually	14.50	5,268,282	7,526,720
645	645	Reliance Weaving Mills Limited	2002-2007	Semi Annually	15.25	2,764,286	3,737,775
600	600	Union Leasing Limited	2002-2005	Semi Annually	14.50	2,997,600	3,259,995
1,379	1,379	Shahmurad Sugar Limited	2002-2006	Semi Annually	15.50	4,594,828	7,419,499
200	200	Maple Leaf Cement Limited	2002-2006	Semi Annually	15.25	833,000	1,146,771
600	600	Crescent Leasing Limited	2002-2007	Semi Annually	12.00	3,000,000	3,602,400
760	760	Bank Alfalah Limited	2002-2009	Semi Annually	10.00	3,797,720	4,336,832



1,100	1,100	Union Bank Limited	2002-2008	Semi Annually	11.00	5,496,700	5,989,754	6,333,083
272	272	KASB Leasing Limited	2002-2006	Semi Annually	11.50	1,359,456	1,365,302	1,437,520
1000	1,000	Paramount Leasing Limited	2003-2007	Semi Annually	11.50	4,998,000	5,015,993	5,224,500
1010	926	Securetel SPV Limited	2003-2006	Semi Annually	11.50	2,945,823	3,063,656	5,011,069
1,000	1,000	Ittehad Chemicals Limited	2003-2008	Semi Annually	10.00	5,073,000	4,998,000	5,176,500
5,000	-	First Oil and Gas Securitisation Limited	2003-2008	Monthly	10.50	21,734,909	21,954,789	-
1,000	-	Fidelity Investment Bank Limited	2003-2008	Semi Annually	7.00	4,999,000	4,999,000	-
<i>Rupees</i>						86,897,915	91,025,897	86,015,632

Term Finance Certificates worth Rs. 10 million are pledged with commercial banks against a short term borrowing and running finance facility.

13.1.5 Dawood Money Market Fund (DMMF)

Out of these, 250,000 units represent the core investment that cannot be redeemed before 18 April 2005.

14. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

		2004	2003
Current Maturity of Long Term Loan	11	106,634	114,274
Loans to Staff - Considered Good		1,000	16,000
Advance to Executive	14.1	-	22,500
Advances Against Ventures - Considered Doubtful		100,000	100,000
Prepayments		177,113	115,773
Accrued income on securities and deposits		3,529,509	2,605,127
Receivable from Dawood Money Market Fund	14.2	-	2,994,784
Other Receivables		565,672	938,068
		4,479,928	6,906,526
Provision for Doubtful Debts		(100,000)	(100,000)
	<i>Rupees</i>	4,379,928	6,806,526

14.1 The maximum aggregate amount due at the end of any month from the Executive was Rs. 20,000 (2003: Rs. 25,000).

14.2 The maximum amount due from associated undertakings at the end of any month during the year was Rs. 264,221 (2003: Rs. 2,994,784).

15. CASH AND BANK BALANCES

Cash in Hand		20,000	-
Cash at Bank			
- Current Accounts	15.1	131,199	131,199
- Savings Accounts		9,156,307	66,549
		9,287,506	197,748
	<i>Rupees</i>	9,307,506	197,748

15.1 This includes an amount of Rs. 101,609 (2003: Rs. 101,609) kept with the State Bank of Pakistan (SBP) as liquidity reserve as required by the Rules of Business for Non-Banking Financial Institutions.

16. INCOME FROM INVESTMENTS

	2004	2003
Equity Investments		
Net Gain on Sale of Held for Trading Securities	1,606,150	1,670,580
Deficit Realised on 'Available for Sale' Investments	(1,321,712)	-
Dividend Income	469,750	1,121,642



Return on Venture Capital Investment	-	427,115
Other Investments		

Return on Short-Term Deposits	-	1,576,929
Return on Term Finance Certificates	12,090,063	10,691,576
Income from Reverse Repurchase Transactions	<i>16.1</i> 3,582,245	841,396
Fees and Charges	136,460	97,500
Return on Federal Investment Bonds	-	60,415
Return on US Dollar Bearer Bonds	15,156	265,947
	<i>Rupees</i> 16,578,112	16,753,100

16.1 Income from Reverse Repurchase Transactions

Dividend / Income on Reverse Repurchase Transaction	1,106,250	3,508,193
Return / (Charge) on Reverse Repurchase Transaction	2,475,995	(2,666,797)
	<i>Rupees</i> 3,582,245	841,396

17. MANAGEMENT FEES

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 on account of services rendered upto a maximum of 3 percent of NAV of the fund.

18. OTHER INCOME

Return on PLS Deposit Accounts	47,962	155,259
Rental Income	538,200	538,200
Return on Venture Investments	<i>18.1</i> 373,151	-
Sales Load on Units	504,690	-
Miscellaneous	66,624	7,394
	<i>Rupees</i> 1,530,627	700,853

18.1 This represents late payment charges on redeemed preference shares of Eveready Pictures (Pvt.) Limited.

19. ADMINISTRATION AND OPERATING EXPENSES

	2004	2003
Salaries and Allowances	<i>19.1 & 19.2</i> 3,248,261	1,787,570
Rent, Rates and Taxes	943,469	483,638
Postage, Telegram and Telephones	236,944	253,926
Legal and Professional Charges	3,597,990	1,887,610
Printing and Stationery	183,812	107,470
Travelling, Conveyance and Entertainment	590,028	831,293
Vehicle Running Expense	599,953	315,282
Advertisement	357,300	104,780
Electricity	157,300	102,005
Repairs and Maintenance	668,293	199,051
Auditors' Remuneration	<i>19.3</i> 169,827	175,736
Insurance	264,914	232,798
Depreciation	2,271,421	2,201,481
Newspapers, Magazines and Subscriptions	455,621	347,158
Directors' Fee	9,500	13,000
Share Transfer Fee	159	42,180
Brokerage and Commission	7,668	2,912
Donation	<i>19.4</i> 52,786	28,086
Zakat	-	50,000
Others	33,174	3,042
	<i>Rupees</i> 13,848,420	9,169,018



19.1 This includes Rs. 301,340 (2003: 157,092) representing contributions to staff retirement benefits.

19.2 Remuneration of Chief Executive, Director and Executives

	2004			2003		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	752,500	-	1,207,994	-	680,295	275,820
House Rent	232,200	-	396,682	-	232,200	85,632
Medical	6,539	-	24,694	-	11,551	5,705
Utilities	-	102,682	-	-	113,846	-
<i>Rupees</i>	991,239	102,682	1,629,370	-	1,037,892	367,157
Number of Persons	1	1	3	1	1	1

The Chief Executive, Director and Executives have been provided company maintained cars. These include Rs. 138,166 (2003: Rs. 71,112) as retirement benefits.

19.3 Auditors' remuneration

	2004	2003
Annual Audit Fee	85,000	85,000
Certification Fee	42,500	50,000
Fee for Half Yearly Review	25,000	25,000
Out-Of-Pocket Expenses	17,327	15,736
<i>Rupees</i>	169,827	175,736

19.4 No director or his or her spouse had any interest in the donee's fund.

20. FINANCIAL CHARGES

	2004	2003
Financial Charges on Lease Obligations	268,468	322,559
Financial Charges on Short Term Finance Under Mark-Up Arrangement	587,912	633,318
Financial Charges On Short-Term Borrowing	2,597,147	-
Bank Charges	25,681	64,210
<i>Rupees</i>	3,479,208	1,020,087

21. RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

Profit Before Taxation	<i>Rupees</i> 6,849,984	7,894,848
Tax Charge at Enacted Rate of 35 Percent	2,397,494	2,763,197
Effect of Taxable / (Deductible) Expenses	158,952	100,011
Tax Effect of Exempt Income and Income Subject to Reduced Rate of Tax	(703,077)	(921,196)
Others	94,552	(301,785)
<i>Rupees</i>	1,947,921	1,640,227

22. EARNINGS PER SHARE

Profit After Taxation	<i>Rupees</i> 4,902,063	6,254,621
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000
Earnings Per Share – Basic	<i>Rupees</i> 0.49	0.63



23. 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:

	2004	2003
Share of Common Expenses (net) - Guardian Modaraba, First Dawood Investment Bank Limited & Pakistan Venture Capital Limited.	Rupees <u>3,120,174</u>	<u>2,480,652</u>
Vehicle Obtained Under Finance Lease - Guardian Modaraba	Rupees <u>404,000</u>	<u>1,584,000</u>
Investments in TFCs	Rupees <u>-</u>	<u>7,635,000</u>
Interest on TFCs - First Dawood Investment Bank Limited	Rupees <u>935,288</u>	<u>871,815</u>
Payment of Lease Rentals - Guardian Modaraba	Rupees <u>1,682,263</u>	<u>1,666,160</u>
Investment in fund - Dawood Money Market Fund	Rupees <u>35,446,011</u>	<u>40,000,000</u>
Management Fee - Dawood Money Market Fund	Rupees <u>6,068,851</u>	<u>630,000</u>
Purchase of Shares - First Dawood Investment Bank Limited	Rupees <u>8,134,474</u>	<u>-</u>
Funds Borrowed - First Dawood Investment Bank Limited	Rupees <u>67,200,000</u>	<u>-</u>
Repayment of Borrowings - First Dawood Investment Bank Limited	Rupees <u>67,200,000</u>	<u>-</u>
Payment of Financial Charges on Borrowings - First Dawood Investment Bank Ltd	Rupees <u>101,859</u>	<u>-</u>
Redemption of Units - Dawood Money Market Fund	Rupees <u>30,687,912</u>	<u>-</u>
Receipt of Sales Load on Units - Dawood Money Market Fund	Rupees <u>908,612</u>	<u>-</u>

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

24. 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:

	2004				
	Less than One Month	One Month to One Year	Over one Year	Non Interest Bearing	Total
Financial Assets					
Venture Investments	-	-	-	1,750,000	1,750,000
Long-Term Loan	-	-	52,620	-	52,620
Long-Term Deposits	-	-	-	89,400	89,400
Investments	-	4,336,836	86,689,061	73,837,918	164,863,815
Loans, Advances and Other Receivables	-	106,634	-	4,096,181	4,202,815
Cash and Bank Balances	-	9,156,307	-	151,199	9,307,506
	<u>-</u>	<u>13,599,777</u>	<u>86,741,681</u>	<u>79,924,698</u>	<u>180,266,156</u>
Financial Liabilities					
Obligation Under Finance Lease	-	648,475	585,260	-	1,233,735
Short-Term Borrowings	-	35,700,000	-	-	35,700,000
Short-Term Deposits	-	-	-	269,100	269,100
Accrued and Other Liabilities	-	-	-	1,319,705	1,319,705
Proposed Dividend	-	-	-	-	-
Unclaimed Dividend	-	-	-	1,079,396	1,079,396
Finance Under Mark-Up Arrangement	5,000,000	-	-	-	5,000,000
	<u>5,000,000</u>	<u>36,348,475</u>	<u>585,260</u>	<u>2,668,201</u>	<u>44,601,936</u>
On Balance Sheet Gap	Rupees <u>(5,000,000)</u>	<u>(22,748,698)</u>	<u>86,156,421</u>	<u>77,256,497</u>	<u>135,664,220</u>

2003				
Less Than One Month	One Month to One Year	Over One Year	Non Interest Bearing	Total

**Financial Assets**

Venture Investments	-	-	4,000,000	1,750,000	5,750,000
Long-Term Loan	-	-	159,254	-	159,254
Long-Term Deposits	-	-	-	132,000	132,000
Investments	-	-	104,075,632	50,716,571	154,792,203
Loans, Advances and Other Receivables	-	114,274	-	6,576,543	6,690,817
Cash and Bank Balances	66,549	-	-	131,199	197,748
	<u>66,549</u>	<u>114,274</u>	<u>108,234,886</u>	<u>59,306,313</u>	<u>167,722,022</u>

Financial Liabilities

Obligation Under Finance Lease	-	1,218,736	1,024,794	-	2,243,530
Short-Term Borrowings	5,000,000	-	-	-	5,000,000
Short-Term Deposits	-	-	-	269,100	269,100
Accrued and Other Liabilities	-	-	-	791,812	791,812
Proposed Dividend	-	-	-	10,000,000	10,000,000
Unclaimed Dividend	-	-	-	928,506	928,506
Finance Under Mark-Up Arrangement	19,061,793	-	-	-	19,061,793
	<u>24,061,793</u>	<u>1,218,736</u>	<u>1,024,794</u>	<u>11,989,418</u>	<u>38,294,741</u>
On Balance Sheet Gap	<i>Rupees</i>	(23,995,244)	(1,104,462)	107,210,092	67,316,895
		<u>)</u>			<u>129,427,281</u>

25. INTEREST RATES

	2004 (Percent Per Annum)	2003
Financial Assets		
Venture Investment	-	15.00-34.54
Long-Term Loan	5.00	5.00
Investments – Term Finance Certificates	7.00-16.00	10.00-19.00
Cash and Bank Balances	2.00-3.00	3.00-4.00
Financial Liabilities		
Liabilities Against Assets Subject to Finance Lease	10.01-18.77	10.01-18.77
Finance Under Markup Arrangement	6.50-8.00	8.00-9.00
Short-Term Borrowings	4.25	7.5

26. 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 exist 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.

The financial assets amounting to Rs. 170.886 million (2003: Rs. 98.266 million) are subject to credit risk.

27. 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.



28. NUMBER OF EMPLOYEES

Total number of employees as at year-end is 9 (2003: 5).

29. GENERAL

29.1 Figures have been rounded off to nearest rupee.

29.2 These financial statements were authorised for issue in Board of Directors meeting held on September 06, 2004.

Tara Uzra Dawood
Chief Executive Officer

Mir Muhammad Ali
Director