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CORPORATE INFORMATIONS

Management Company	Dawood Capital Management Limited 1500-A Saima Trade Towers I. I. Chundrigar Road, Karachi 74000 UAN: 111-DAWOOD (111-329-663) PABX: (92-21) 3227-1874-88 Fax: (92-21) 3227-1912 E-mail: dcm@firstdawood.com URL: www.edawood.com	
Board of Directors	Mr. Feroze Sayeed-Ud-Deane Miss Tara Uzra Dawood Mr. Masood A.S. Wahedna Mr. Nazimuddin Feroz AVM (Retd.) Zulfiqar Ahmed Shah Syed Shabahat Hussain Mr. Gul Nawaz	Chairman (Nominee of BRRGM) Chief Executive Officer Director (Nominee of BoK) Director (Nominee of BRRGM) Director (Nominee of FDIBL) Director (Nominee of NIT) Director
Chief Financial Officer	Mr. Muhammad Saleem Munshi	
Company Secretary	Mr. Tahir Mehmood	
Audit Committee	AVM (Retd.) Zulfiqar Ahmed Shah Mr. Masood A.S. Wahedna Mr. Gul Nawaz	Chairman Member Member
Trustee	Bank AL Habib Limited Mackinnons Building I.I. Chundrigar Road, Karachi Telephone: 92-21 3241-2421 Fax: 92-21 3241-9752	
Auditors	M. Yousuf Adil Saleem & Co., Chartered Accountants	
Tax Advisor	Mazhar Associates A-1/E-3, Faiza Avenue Karachi.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza 6-cl-10 Beaumont Road, Karachi 75530 Telephone: (021) 3565-7658/9, 3565-7674 Fax: (021) 3565-7673 E-mail: bawaney@cyber.net.pk	
Registrars	Gangjees Registrar Services (Pvt.) Limited Room # 516, 5th. Floor, Clifton Centre Kehkashan Clifton, Karachi	
Distributors	Alfalah Securities (Pvt.) Ltd. Atlas Capital Market (Pvt.) Ltd. BMA Financial Services (Pvt.) Ltd. IGI Investment Bank Ltd.	
Banker:	Bank AL Habib Limited	
Rating	PACRA: 2-Star	
AMC	Rating PACRA : AM4+	



Mission Statement

To offer our certificate holders the best possible return by expertly diversifying the Fund's investment portfolio into minimal risk and high yielding instruments and at all time to be a good corporate citizen



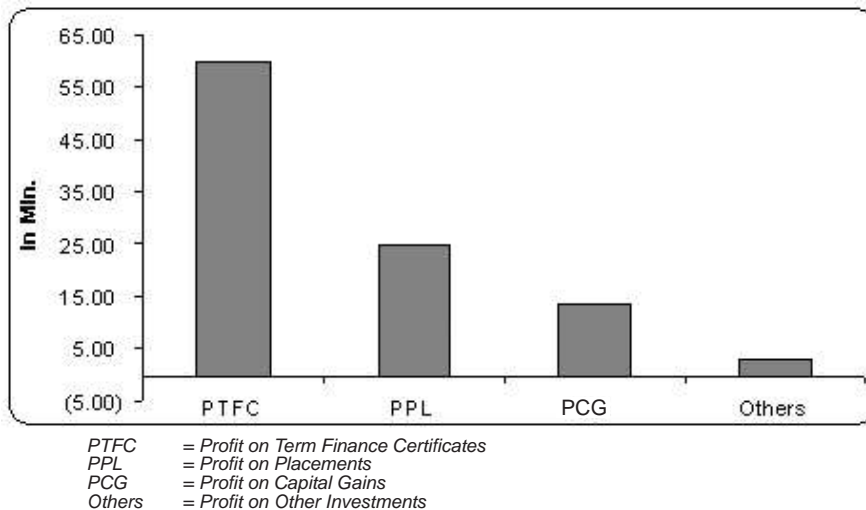
REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Dawood Capital Management Ltd. ("DCM" or the "Company") the Management Company of Dawood Money Market Fund ("DMMF"/"the Fund"), are pleased to present the eighth annual report and the audited financial statements of the Fund for the year ended June 30, 2010.

Fund Performance

As at June 30, 2010, net assets were Rs. 384.10 million as compared to Rs. 873.34 million as at June 30, 2009. Total operating income for the year was Rs. 100.63 million as opposed to Rs. 182.99 million for the same period last year. Total expenses during the year reduced to Rs. 140.90 million as compared to Rs. 338.43 million in last year. The decrease in expenses was mainly due to reduction in impairment losses on debt securities and financial charges. Element of income was Rs. 115.70 million as opposed to a loss of Rs. 32.06 million last year. The net profit before distribution for the financial year 2009-10 was Rs. 75.498 million, as compared to the net loss of Rs. 187.497 million last year. The Net Asset Value per unit was Rs. 79.5382 as at June 30, 2010.

Income Derived



Investment Strategy

There was no investment activity observed during the year except trading in government securities and bank deposits due to higher risks on available instruments in the market. Few TFCs offloaded during the year. Only the exposure in the government securities and bank deposits during the illiquid market maintains a low risk threshold and yields consistent returns for the fund.

Dividend

Board of Directors of DCM in its meeting held of July 7, 2010 approved a bonus dividend of Rs. 9.70 per unit on NAV of June 30, 2010 of Rs. 74.6808. Which was 11.97% of the opening Ex-NAV of Rs. 81.0333. In respect of which Unit holders have already received 14.9275 units per 100 units held.

In lieu of incorporation of adjusting event as specified under the section of Events Occurring After the Balance Sheet Date, Board of Directors of DCM in its meeting held on October 4, 2010 has approved additional Bonus Dividend to unit holders of Rs. 4.40 per unit on Revised NAV of June 30, 2010 of Rs. 79.5382. Which



comes out to be 5.43% of the Opening Ex-NAV of Rs. 81.0333. Unit holders will get additional 6.6195 units per 100 units held.

The above entitlement will be paid to the unit holder whose names were appeared in the Register of Unit holders on June 30, 2010.

After incorporation of adjusting event the aggregate bonus dividend is Rs. 14.10 per unit on Revised NAV of June 30, 2010 of Rs. 79.5382. This comes out to be 17.40% of the opening Ex-NAV of Rs. 81.0333. Unit holders will be entitled to 21.5470 units per 100 units held.

Sales and Redemption of units

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

A total of 454,226 units were issued in the current year valued at Rs. 33.048 million (2009: 29,375,917 units worth Rs. 2.798 billion) and 6,402,626 units were redeemed, with a value of Rs. 512.12 million (2009: 53,839,532 units worth Rs. 5.277 billion). As on June 30, 2010, the total number of outstanding units was 4,829,179 valued as Rs. 384.104 million.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a "2-Star" short-term rating to your fund.

Economic Outlook

FY 2010 at a Glance

The outgoing year witnessed the making of a global recovery. Leading indicators, and upgraded projections from the IMF, have so far pointed to a sharp rebound in the world economy. Pakistan has shown gradual recovery on the macroeconomic front in the FY10. However, the recovery is still fragile and the stabilization needs to be consolidated so that the gains over the past two difficult years are not lost.

The SBP took a cut in interest rate by 50bps to 12.50% in November 2009 after peaking in November 2008. SBP took this step in the consequence of declining CPI in the country thus resulted in overall decline in the interest rates till March 2010. Due to inflationary pressure in the following months coupled with rising twin deficits, SBP again raised the interest rate by 50bps in its July 2010 monetary policy.

Despite severe challenges, the economy showed resilience in the outgoing year. Growth in Gross Domestic Product (GDP) for 2009-10, on an inflation-adjusted basis, has been recorded at a provisional 4.1% as compares to the GDP growth of 1.2% in the previous year.

CPI Inflation has recorded a 12.3% YoY with food inflation of 12.5% and non food inflation at 12%. This inflationary pressure seems to continue due to prevailing Political, Law and Order and Economic conditions of the country.

Debt Market Review

Debt market remained under pressure throughout the FY10. Downgrading and downward valuation of major debt scripts at MUFAP coupled with defaults of major investee companies led towards negative market sentiments. Also the pressure selling of debt scripts by mutual funds to meet liquidity requirements joined the party. These issues hampered the secondary market led towards the shaky investors' confidence on the Mutual Fund industry.



New Developments

Bond Automated Trading system (BATS) was introduced and trading was started at KSE BATS from November 2009, major participant are still of the opinion that still strong regulatory framework is required for the success of this system.

Post Flood Impacts

Heavy floods in Indus River caused nationwide damage to countries economy. The scale of the devastation caused by the floods is staggering. Nearly 20mn people have been displaced, making this one of the worst natural disasters in history. Nearly 1.25mn houses have been completely destroyed, leaving most of the affected households without shelter. Losses to the economy are estimated at close to USD 4bn (2% of GDP).

We now expect a significant slowdown in GDP growth in FY11 (ends June 2011) and lower our growth forecast to 2.5%; this would follow growth of 4.1% in FY10. We also now expect FY11 inflation to jump sharply to 15%, depending on the extent of the damage and the measures taken by the government to reconstruct and rebuild the affected areas.

Compliance with the Best Practices of the Code of Corporate Governance

The 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 framework of good governance, whereby a listed Fund is managed in compliance with the best practices of Code. The directors of the Management Company hereby confirm the following as required by clause (xix) of the Code:

- r The Financial statements of the Fund, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- r The Management Company has maintained proper books of accounts of the Fund.
- r Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- r International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements, and departure (if any) has been adequately disclosed.
- r The system of internal control is sound in design and has been effectively implemented and monitored.
- r There are no significant doubts upon the Fund's ability to continue as a going concern.
- r There has been no trading during the year in the units of the Fund carried out by the Directors, Chief Executive Officer, Company Secretary and their spouses and their minor children except as disclosed below:

Trades By	Investment (No. of Units)	Redemption (No. of Units)
Chief Executive Officer	32,769	31,134
Directors	3,639	3,730
Officer	4,128	6,524

- r There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- r There are no statutory payment on account of taxes, duties, levies and charges outstanding.
- r There has been no departure from the best practices of transfer pricing.



Changes in Directors

During the year election of directors has been conducted in Extraordinary General Meeting dated March 22, 2010 and reappointment of CEO has been made with no variations in terms and conditions.

Currently, the Company has Seven Directors on its Board.

Board of Directors Meetings

During the year 2009-10 five (5) meetings of the Board of Directors of the management company were held, the requisite details are as under:

S. No	Name	Designation	Entitlement to Attend Meeting	Leave of Absences
1.	Mr. Feroze Sayeed-ud-Deane	Chairman	5	1
2.	Ms. Tara Uzra Dawood	Chief Executive	5	2
3.	AVM (Retd.) Zulfiqar Shah	Director	5	-
4.	Mr. Iftikhar Hussain	Director	5	1
5.	Syed Shabahaat Hussain	Director	2	-
6.	Mr. Nazimuddin Feroz	Director	5	3

Audit Committee

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

AVM (Retd.) Zulfiqar Ahmed Shah	Chairman
Mr. Gul Nawaz	Member
Mr. Masood A.S. Wahedna	Member

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

Auditors

The present Auditor, Deloitte M. Yousuf Adil Saleem & Co, Chartered Accountants are due for retirement and being eligible, offer themselves for re-appointment. As required under the Code of Corporate Governance, the Audit Committee of Management Company has recommended the appointment of Deloitte M. Yousuf Adil Saleem & Co, Chartered Accountants as auditors for the year ending June 30, 2011.

Risk Management

Risk taking is an integral part of any business and is rooted in the philosophy of risk versus reward, that is, the higher the risk the greater the reward. Our fundamental objective is to maximize unit holder's value, but this must be carried out in a clearly articulated risk tolerance framework.

DMMF is exposed to a variety of risks including credit, liquidity, Interest rate, market risk and operational risk.



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

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

- * Board's Audit Committee
- * Investment Committee

Statement of Ethics and Business Practices

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

Marketing Function/Role

DMMF continues to be one of the most exciting and profitable Income Funds in Pakistan. It is also the most innovative fund in the industry with its DAWOODPERKS® loyalty program (which has grown to over 20 eminent partners). The DMMF family has now grown to include joint promotions with various enterprises including restaurants, art galleries, boutiques, salons and variety of other stores. A list of current partners and promotions is available on our website www.dawoodperks.com

DCM is still the most innovative AMC in the industry with its **DAWOOD SAVINGS FUNDS®** including **BABYFUND®** (children's trust fund), **LADIESFUND®** and **SHAADIFUND®** to meet all investors' needs.

Please make full use of our "**CUSTOMER-CENTRIC**" approach and don't hesitate to contact us at our two toll free numbers (**0800-FUNDS**) or our **UAN (111-DAWOOD)**.

In addition to the above stated marketing, further publicity is derived from interviews, newspaper articles and participation in industry events.

Information Technology

The IT department has been an integral department of the organization. A cutting-edge computerized environment and efficient utilization of information technology has been the hallmark of your company's policy.

The company continuously invests in technology to improve internal decision-making operational efficiencies and the quality of service to customers.

The IT function besides creating an efficient IT environment in the organization also keeps abreast with the latest trends in information technology. In addition, DCM continues to implement initiatives to reduce the usage of paper through the utilization of information technology as part of the company's long tenure objective to strive towards a paperless environment.

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



Human Resource Training and Development

DCM's employees are its greatest asset. Hence, several significant initiatives have been taken during the year to improve upon the hiring including retention and work environment-related issues, grooming of skills to match with the changing business needs, induction of qualified and experienced professionals. Training and Human Resource Development continues to be of prime importance in 2010-11.

Events Occurring After the Balance Sheet Date

As per the directive of SECP dated July 7, 2010 and in the light of Legal Opinion the Management of DCM has decided to incorporate the reversal of impairment and suspense income aggregating Rs. 23.94 Million of Kohat Cement Company Limited w.e.f. 28th June, 2010 the date when MUFAP reclassified Kohat Cement Company Limited as Performing. This resulted in increase of profit of Rs. 75.50 Million from Rs. 52.04 Million for the year ended June 30, 2010.

Due to the above treatment the NAV of 28th June, 2010 and onward will be revised accordingly.

Transaction with Connected Persons/Related Parties

Transactions between the Fund and its connected persons 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". The Fund has fully complied with the best practices on transfer pricing as contained in the Listing Regulation of the Karachi Stock Exchange.

Pattern of Certificate Holders as on June 30, 2010

The pattern of certificate holders as on June 30, 2010 along with disclosure as required under the Code of Corporate Governance is annexed.

Key Financial Highlights

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

Acknowledgement

We take the opportunity to thank our investor, business associates, leading banks and financial institutions for putting their trust with us and allowing us to cater to their financial needs. We also appreciate the guidance provided to the fund by the Management Company, the Trustee and the Securities and Exchange Commission of Pakistan. We truly appreciate and value the contribution of our staff who have worked tirelessly to bring quality and growth to the fund and to grow our investor base.

In closing, we reaffirm our commitment to our unit holders to further enhance the value of their investment in the Company.

For and on behalf of the Board,

Karachi
Date: October 4, 2010

Chairman



REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2010

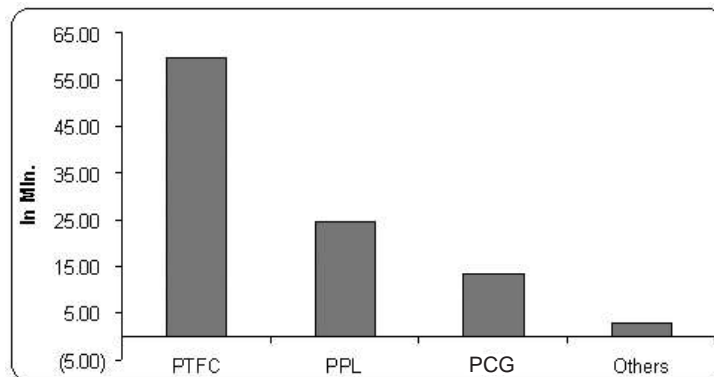
Fund Objective

To preserve the investor's capital while providing a return greater than that offered by other investments of similar risk profile through investments in a portfolio of money market instruments.

Fund Performance

As at June 30, 2010, net assets were Rs. 384.10 million as compared to Rs. 873.34 million as at June 30, 2009. Total operating income for the year was Rs. 100.63 million as opposed to Rs. 182.99 million for the same period last year. Total expenses during the year reduced to Rs. 140.90 million as compared to Rs. 338.43 million in last year. The decrease in expenses was mainly due to reduction in impairment losses on debt securities and financial charges. Element of income was Rs. 115.70 million as opposed to a loss of Rs. 32.06 million last year. The net profit before distribution for the financial year 2009-10 was Rs. 75.498 million, as compared to the net loss of Rs. 187.497 million last year. The Net Asset Value per unit was Rs. 79.5382 as at June 30, 2010.

Income Derived



PTFC = Profit on Term Finance Certificates
PPL = Profit on Placements
PCG = Profit on Capital Gains
Others = Profit on Other Investments

Fund remained under pressure throughout the year due to lack of liquidity in the capital markets resulting in lower sales volumes leading to the reduced fund size. The fund also took provisions against non-performing and defaulting debt scripts in Jan-Mar 2010 in the best interest of unit holders which is also the major cause of reduced fund size.

At the close of the FY2010, DMMF posted a negative return of 1.85% as compared to 12.44% return of benchmark (Average 1 Month KIBOR). The major reasons were downward revaluation of debt securities, provisions on defaulted scripts and illiquid capital markets.

However, during the last quarter from April to June 2010, fund shown a tremendous recovery and posted a healthy quarterly return of 53.86% reducing the annualized loss on NAV to 1.85% to close the year. This was mainly due to the reversals of provisions and recovery made against the defaulting issuers making DMMF an attractive investment for those who want to make quick capital gains on their investments.

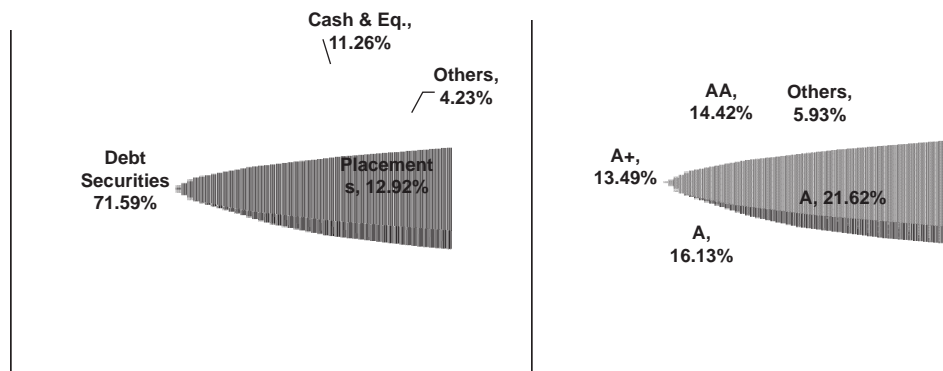


Investment Strategy

There was no investment activity observed during the year except trading in government securities and bank deposits due to higher risks on available instruments in the market. Only the exposure in the government securities and bank deposits during the illiquid market maintains a low risk threshold and yields consistent returns for the fund.

As earlier the major portion of DMMF was remained invested in the Debt Securities throughout the year. The main reason was the non-availability of the active secondary market for these instruments and illiquidity. Also the downward revaluation of these securities and defaults of few issuers were also the major cause of the damage to the secondary market.

Following are the asset allocation and credit allocation of the fund as at June 30, 2010.



However, DMMF survived through this critical phase by prudently optimizing its portfolio to meet the liquidity requirements throughout the year. The Fund consists of a diversified portfolio of investment grade securities. The investment strategy of DMMF is modeled on a conservative approach towards investments. The Fund's strategy emphasizes the safety of capital and aims to achieve the highest rate of return while maintaining a low risk threshold. Investors are provided the convenience of redeeming units or subscribing to DMMF at their discretion.

Major Strategies and Policies Employed During the Year 2010

On the basis of our objective of long term value investing, the Fund mostly adopted the same criteria as employed in last year's. Details of major strategies and policies employed are as under.

- * Fund adopted the strategy to offload as much debt securities at better rates to increase the liquidity as well as to optimize the allocation. However, as earlier Fund maintained its exposure in debt securities having 71.59% in TFCs and Sukuks, 15.92% in COIs and 11.26% in bank balance at the end of the financial year June 30, 2010.
- * Fund has prudently offloaded a major chunk of its non performing debt securities during the year at best available market rates to ensure more liquidity in the fund.
- * The liquidity received was mainly invested in bank deposits and government securities which are the safest avenues to maintain consistency in returns while ensuring liquidity.



FY 2010 AT A GLANCE

Outlook

The outgoing year witnessed the making of a global recovery. Leading indicators, and upgraded projections from the IMF, have so far pointed to a sharp rebound in the world economy. Pakistan has shown gradual recovery on the macroeconomic front in the FY10. However, there is a big question mark on the sustainability of the recovery. Power shortages with internal political and deteriorating security situations witnessed a major cause of instability in the country. Added with the issue of circular debt coupled with high domestic borrowings by the government put a considerable hurdle in the revival of the Pakistan's economy.

Despite severe challenges, the economy showed resilience in the outgoing year. Growth in Gross Domestic Product (GDP) for 2009-10, on an inflation-adjusted basis, has been recorded at a provisional 4.1% as compared to the GDP growth of 1.2% in the previous year.

Monetary Sector

The SBP took a cut in interest rate by 50bps to 12.50% in November 2009 after peaking in November 2008. SBP took this step in the consequence of declining CPI in the country thus resulted in overall decline in the interest rates till March 2010. Due to inflationary pressure in the following months coupled with rising twin deficits, SBP again raised the interest rate by 50bps in its July 2010 monetary policy.

Fiscal Sector

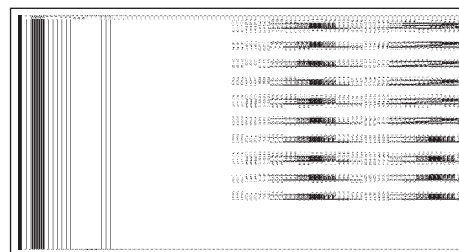
The total tax collection for the period was approximately 1328 billion against the targeted figure of 1380 billion. Pakistan is currently witnessing a huge public debt with increasing public sector expenditure for infrastructure development and mainly due to the war on terror. Pakistan's fiscal deficit which was 5.8% of the GDP in FY2010 and government's greater reliance on central bank's borrowing remained the major concerns for international donor agencies. Government has imposed CGT effective from July 1, 2010 and planning for imposition of VAT from October 2010, are in connection to overcome the fiscal deficit.

Inflation

CPI Inflation has recorded a 12.3% YoY with food inflation of 12.5% and non-food inflation at 12%. This inflationary pressure seems to continue due to prevailing Political, Law and Order and economic conditions of the country.

Debt Market Review

Debt market remained under pressure throughout the FY10. Downgrading and downward valuation of major debt scripts at MUFAP coupled with defaults of major investee companies led towards negative market sentiments. Also the pressure selling of debt scripts by mutual funds to meet liquidity requirements joined the party. These issues hampered the secondary market led towards the shaky investors' confidence on the Mutual Fund industry.



Six month KIBOR witnessed a declining trend during FY2010 due to sufficient liquidity maintained by the banks. It was closed at 12.37% which is 39bps low from 12.76% as on 30 June 2009.



New Developments

Bond Automated Trading system (BATS) was introduced and trading was started at KSE BATS from November 2009, major participants are still of the opinion that still strong regulatory framework is required for the success of this system.

Post Flood Effects

Historic floods in the Indus River resulting from monsoon rains have caused widespread damage to the economy. The scale of the devastation caused by the floods is staggering. Nearly 20mn people have been displaced, making this one of the worst natural disasters in history. Nearly 1.25mn houses have been completely destroyed, leaving most of the affected households without shelter.

We now expect a significant slowdown in GDP growth in FY11 (ends June 2011) and lower our growth forecast to 2.5%; this would follow growth of 4.1% in FY10. We also now expect FY11 inflation to jump sharply to 15%, depending on the extent of the damage and the measures taken by the government to reconstruct and rebuild the affected areas.

Challenges Ahead:

Now it is the biggest challenge for the government and private sector to rebuild the entire infrastructure from scratch. The rebuilding and resettlement requires huge funds which will be fulfilled through foreign aid and more loans. It will increase the tax burdens on the rest causing inflation to rise sharply.

Future Outlook

The year is started unfortunately on a disastrous note of historic flood devastations across the country. We now expect a significant slowdown in GDP growth in FY11 (ends June 2011). We also now expect FY11 inflation to jump sharply to 15%, depending on the extent of the damage and the measures taken by the government to reconstruct and rebuild the affected areas.



**Detail of Pattern of Holdings (Units)
As at June 30, 2010**

<u>Category</u>	<u>No. of Unit Holders</u>	<u>Unit Held</u>
Associated Companies		
Dawood Capital Management Ltd.	1	144,883
BRR Guardian Modaraba	-	-
FDI First Dawood Investment Bank Ltd.	-	-
Chairman		
Mr. Feroze Saeed-ud-Deane	-	-
Chief Executive		
Miss Tara Uzra Dawood	1	73,663
Directors		
Mr. Masood A.S. Wahedna	-	-
Mr. Nazimuddin Feroz	-	-
AVM (Retd.) Zulfiqar Ahmed Shah	-	-
Syed Shabhat Hussain	-	-
Mr. Gul Nawaz	1	123
Individuals	272	445,728
Insurance Companies	2	22,412
Banks DFIs	4	3,254,509
NBFCs	1	7,994
Retirement Funds	18	638,145
Others	9	241,722
	<u>309</u>	<u>4,829,179</u>



TRUSTEE REPORT TO THE UNITHOLDERS

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

During the period July 1, 2009 to June 30, 2010, Dawood Capital Management Limited ("DCML"), the Management Company of Dawood Money Market Fund ("DMMF"), has in our opinion managed DMMF in accordance with the provisions of the constitutive documents of DMMF and Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("Regulations") in all material respects, except for some non-compliant investments disclosed in the notes to the financial statements of DMMF for the year ended June 30, 2010, as required by SECP Circular No. 16 dated July 7, 2010.

Bank AL Habib Limited

Authorized Signatory

Authorized Signatory

Karachi: October 4, 2010



**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2010**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Dawood Capital Management Limited (the Company), the management company of **Dawood Money Market Fund** (the Fund) has applied with the principles contained in the Code in the following manner: -

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Board has one executive director.
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 Development Financial Institution or a Non-banking Financial Institution. None of the directors of the Company is a member of any Stock Exchange.
4. Casual vacancies occurred in the Board on December 24, 2008 which was filled up on June 09, 2010. The delay was caused due to approvals on part of the Security and Exchange Commission of Pakistan
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and key employees of the Company.
6. The Board has developed a vision/mission statement and the overall corporate strategy of the Company and has also formulated significant policies for the Fund. 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 employment of CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at-least once in every quarter during the year. Written notices of the Board meetings, along with 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 Company arranged an orientation courses for its directors during the year to apprise them of their roles and responsibilities.
10. No new appointment of CFO, Company Secretary or Head of Internal Audit has been made during the year.
11. The directors' report relating to the Fund for the year ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than those disclosed in the pattern of unit-holdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. At June 30, 2010, it comprises of two (2) members, both of whom are non-executive directors including the chairman of the committee. Mr. A.S Wahidna (a third member) has been appointed on July 06, 2010 to comply with the minimum requirement of 3 members.



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16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the Company and advised to the committee for compliance.
 17. The Board has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund and their representatives are involved in the internal audit function on a full time basis.
 18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
 19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 20. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors of the Company.
 21. We confirm that all other material principles contained in the Code have been complied with.

**On Behalf of the Board of Directors
Dawood Capital Management Limited**

**Karachi
Date: October 04, 2010**

**Tara Uzra Dawood
Chief Executive Officer**



Deloitte.

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

We have reviewed the statement of compliance with the best practices contained in the code of Corporate Governance prepared by the Board of Directors of **DAWOOD CAPITAL MANAGEMENT LIMITED** (the Management Company) of the **DAWOOD MONEY MARKET FUND** (the Fund) to comply with the Listing Regulations of the Karachi Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

The Code of Corporate Governance requires board of directors to approve related party transactions bifurcating between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price. In this connection we are only required and have ensured compliance of requirement to the extent of board of directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2010.

Karachi
October 4, 2010

M. Yousuf Adil Saleem & Co.
Chartered Accountants

A member firm of
Deloitte Touche Tohmatsu



Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Dawood Money Market Fund (the Fund), which comprises the statement of assets and liabilities as at June 30, 2010, and the income statement, statement of comprehensive income, distribution statement, statement of movements in unit holder's fund, cash flow statement and a summary of significant accounting policies together with other explanatory notes.

Management Company's Responsibility for the Financial Statement

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other Matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi:
October 4, 2010

M. Yousuf Adil Saleem & Co.
Chartered Accountants

A member firm of
Deloitte Touche Tohmatsu



**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
Assets			
Investments	5	327,064,662	853,125,316
Bank Balance	6	43,584,085	-
Advance and Profit Receivables	7	16,385,707	36,879,771
Assets		387,034,454	890,005,087
Liabilities			
Short-Term Finance		-	715,197
Remuneration Payable to Management Company	8	293,429	-
Remuneration Payable to Trustee	9	178,698	590,414
Annual Fee Payable to Securities and Exchange Commission of Pakistan	10	437,687	1,337,347
Payable to Unit Holders Against Redemption		24,902	12,630,743
Accrued and Other Liabilities	11	1,995,515	1,388,969
Total Liabilities		2,930,231	16,662,670
NET ASSETS		384,104,223	873,342,417
UNIT HOLDERS FUND (as per statement attached)		384,104,223	873,342,417
		(Number of Units)	
Number of Units in Issue		4,829,179	10,777,579
		(Rupees)	
Net Asset Value per Unit (Face Value per Unit Rs. 100/-)		79.54	81.03

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director



INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
<i>Income</i>			
Profit/Return on			
- Term Finance Certificates		59,815,089	187,880,147
- Placements		24,602,477	71,424,283
- Commercial Papers		-	1,205,493
- Term Deposit Receipts		349,315	-
- Treasury Bills		789,295	-
- Government Securities		-	2,684,840
- Bank Balance		1,789,800	355,361
Capital Gain/(Loss) on Sale of Securities		13,287,785	(84,073,207)
Net Gain from Transactions in Ready Futures		-	3,514,430
Total Income		100,633,761	182,991,347
<i>Expenses</i>			
Impairment Loss	5.4	130,917,940	268,024,155
Investment Written Off		-	14,219,693
Remuneration to Management Company	8	5,835,514	5,271,599
Remuneration to Trustee	9	958,552	1,833,513
Annual Fee to Securities and Exchange Commission of Pakistan	10	437,687	1,337,341
Securities Transactions Cost	12	186,007	2,376,852
Auditors' Remuneration	13	295,000	290,000
Legal and Professional Charges		200,000	150,000
Financial Charges	14	439,389	44,802,712
Workers Welfare Fund	15	1,540,781	
Listing Fee		40,000	35,000
Printing Charges		52,150	88,800
Total Expenses		140,903,020	338,429,665
NET LOSS FROM OPERATING ACTIVITIES		(40,269,259)	(155,438,318)
Element of Income/(Loss) and Capital Gains/(Losses) in Prices of Units Sold Less Those in Units Redeemed - net		115,767,539	(32,057,719)
NET INCOME/(LOSS) FOR THE YEAR CARRIED TO DISTRIBUTION STATEMENT		75,498,280	(187,496,037)
EARNINGS PER UNIT	16		

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director



**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

	2010 Rupees	2009 Rupees
Undistributed (Loss)/Income Brought Forward		
- Realised	(162,545,453)	350,163,235
- Unrealised	-	2,555,851
	<u>(162,545,453)</u>	<u>352,719,086</u>
Net Income/(Loss) for the Year	<u>75,498,280</u>	<u>(187,496,037)</u>
	(87,047,173)	165,223,049
Final Distribution At the Rate of Rs. Nil Per Unit for the Year Ended June 30, 2009 (June 30, 2008: At the Rate of Rs 10.25 Per Unit)	-	(327,768,502)
Undistributed Loss Carried Forward	<u>(87,047,173)</u>	<u>(162,545,453)</u>
Represented By:		
- Realised	(87,047,173)	(162,545,453)
- Unrealised	-	-
	<u>(87,047,173)</u>	<u>(162,545,453)</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010**

	2010	2009
	Rupees	Rupees
Net Income/(Loss) For the Year	75,498,280	(187,496,037)
Other Comprehensive Income		
Unrealized Appreciation/(Diminution) on Remeasurement of Investments Classified as 'Available For Sale Investments'	30,103,564	(31,402,484)
Total Comprehensive Income/(Loss) For the Year	<u>105,601,844</u>	<u>(218,898,521)</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director



**STATEMENT OF MOVEMENTS IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	2010	2009
	Rupees	Rupees
Net Asset at Beginning of the Year	873,342,417	3,539,993,016
Amount Received on Issue of 454,226 Units (June 30, 2009: 29,375,917)	33,048,290	2,798,073,557
Amount Paid on Redemption of 6,402,626 Units (June 30, 2009 : 53,839,532)	(512,120,789)	(5,277,883,354)
	(479,072,499)	(2,479,809,797)
	394,269,918	1,060,183,219
Element of (Income)/Loss and Capital (Gains)/Losses in Prices of Units Sold Less Those in Units Redeemed - net	(115,767,539)	32,057,719
Total Comprehensive Income/(Loss) For the Year	105,601,844	(218,898,521)
Net Assets at End of the Year	384,104,223	873,342,417
Net Assets Value per Unit	79.54	81.03

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income/(Loss) for the Year	75,498,280	(187,496,037)
<i>Adjustments for:</i>		
Capital Gain/(Loss) on Sale of Securities	(13,287,785)	84,073,207
Element of Income/(Loss) and Capital Gains/(Losses) in Prices of Units Sold Less Those in Units Redeemed - Net	(115,767,539)	32,057,719
Impairment Loss	130,917,940	268,024,155
Investment Written off	-	14,219,693
Financial Charges	439,389	44,802,712
	<u>77,800,285</u>	<u>255,681,449</u>
<i>Decrease in Assets:</i>		
Investments	438,534,063	2,195,508,055
Receivable against Sale of Investments	-	59,563,414
Advance and Profit Receivable	20,494,064	53,884,350
	<u>459,028,127</u>	<u>2,308,955,819</u>
<i>Increase/(Decrease) in Liabilities:</i>		
Obligation under Repurchase of Securities	-	(100,000,000)
Remuneration Payable to Management Company	293,429	(3,148,188)
Remuneration Payable to Trustee	(411,716)	(522,179)
Annual Fee Payable to Securities and Exchange Commission of Pakistan	(899,660)	(2,375,525)
Payable to Unit Holders Against Redemption	(12,605,841)	12,630,743
Accrued and Other Liabilities	606,546	(1,409,012)
	<u>(13,017,242)</u>	<u>(94,824,161)</u>
<i>Net Cash From Operating Activities</i>	<u>523,811,170</u>	<u>2,469,813,107</u>
B. CASH FLOWS FROM FINANCING ACTIVITIES		
Financial Charges Paid	(439,389)	(45,209,231)
Net (Payments)/Receipts Against Units (Redeemed)/Sold - Net	(479,072,499)	(2,479,809,797)
<i>Net Cash Used in Financing Activities</i>	<u>(479,511,888)</u>	<u>(2,525,019,028)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents For the Year	44,299,282	(55,205,921)
Cash and Cash Equivalents at Beginning of the Year	(715,197)	54,490,724
Cash and Cash Equivalents at End of the Year	<u>43,584,085</u>	<u>(715,197)</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Dawood Money Market Fund (the Fund) was established under a Trust Deed executed on April 08, 2003 between Dawood Capital Management Limited (DCML) as Management Company and Bank Al Habib Limited (BAH) as Trustee. The Securities and Exchange Commission of Pakistan (SECP) approved the appointment of Trustee and licensed the Management Company of the Fund to act as an Asset Management Company. The registered office of the Management Company is situated at 1500-A, Saima Trade Towers, I.I.Chundrigar Road, Karachi, Pakistan.
- 1.2** The Fund is an open-ended mutual fund and is listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.3** The principal activity of The Fund is to make investment in spread transactions and debt-based securities including Government securities, Commercial Papers and other money market instruments and placement of funds.
- 1.4** Title to the assets of the The Fund are held in the name of Bank Al Habib Limited as a Trustee of the Fund.
- 1.5** Asset Manager Rating (AMR) of 'AM4+' (2009: 'AM4+') has been assigned to the Management Company and 2 star (2009: 3 star) rating has been assigned to the Fund by Pakistan Credit Rating Agency (PACRA).

2. STATEMENT OF COMPLIANCE

- 2.1** These financial statements have been prepared in accordance with requirements of approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), The Non Banking Finance Companies (establishment and Regulation) Rules, 2003 (the Rules), the Trust deed and directives issued by the SECP. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Rules, the Regulations, the Ordinance or directives issued by SECP differ with the requirements of these standards, the requirements of the Regulations, the Rules, the Ordinance and the said directives take precedence.

2.2 *Adoption of New International Financial Reporting Standards*

In the current year, the Fund has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Fund's accounting period beginning on July 01, 2009. The adoption of these new Standards and Interpretations has resulted in changes to the Fund's accounting policies in the following areas:



Standards and Interpretations

*Effective Date (Accounting Periods
Beginning)*

IAS 1 - Presentation of Financial Statements (Revised)

January 01, 2009

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present two separate statements (the income statement and statement of comprehensive income) as permitted under revised IAS 1.

The change in presentation has not effected the value of the net assets of the Fund for either the current or any of the prior periods and hence a restated balance sheet has not been presented.

IFRS 8 - Operating Segments

January 01, 2009

IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The Investment Committee of the Management Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segment.

The Investment Committee is responsible for the Fund's entire portfolio and considers the Fund to have a single operating segment. The Investment Committee asset allocation decisions are based on a single, targeted investment strategy, and the Fund's performance is evaluated on an overall basis.

The Fund is domiciled in Pakistan. All of the Fund's income is from investments in entities incorporated in Pakistan.

Improving Disclosures about Financial Instruments

(Amendments to IFRS 7 Financial Instruments: Disclosures)

January 01, 2009

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

2.3 Standards and Interpretations Adopted with No Effect on the Financial Statements

The following new and revised Standards, Interpretations and amendments have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.



Standards and Interpretations

Effective Date (Accounting Periods Beginning)

Amendments to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance	January 01, 2009
Amendments to IAS 40 - Investment Property	January 01, 2009
Amendments to IAS 23 - Borrowing Costs	January 01, 2009
IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39	July 01, 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	July 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IAS 32- Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation	January 01, 2009
IAS 38 - Intangible Assets	January 01, 2009
IAS 39 - Financial Instruments : Recognition and Measurement - Eligible Hedged Items	July 01, 2009
IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement	July 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 17 - Distribution of Non-cash Assets to Owners	
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

2.4 New Accounting Standards and IFRS Interpretations that are Not Yet Effective

IFRS 9 - Financial Instruments	January 01, 2013
Amendments to IFRS 1 - First -time Adoption of International Financial Reporting Standards- Additional Exemption for First-time Adopters	January 01, 2010
Amendments to IFRS 2 - Share based Payment-Group Cash -settled Share-based Payment Transactions	January 01, 2010



<i>Standards and Interpretations</i>	<i>Effective Date (Accounting Periods Beginning)</i>
Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
Amendments to IAS 1 - Presentation of Financial Statements	January 01, 2010
Amendments to IAS 7 - Statement of Cash Flows	January 01, 2010
Amendments to IAS 17 - Leases	January 01, 2010
Amendments to IAS 36 - Impairment of Assets	January 01, 2010
Revised IAS 24 - Related Party Disclosures	January 01, 2011
Amendments IFRS 3 – Business Combinations	July 01, 2010
Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues	January 01, 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010
Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	January 01, 2011

3. BASIS OF MEASUREMENT

3.1 Accounting Convention

These financial Statements have been prepared under the historical cost convention except for certain financial instruments which have been carried at fair value.

3.2 Functional Currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

3.3 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the The Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgements which are significant to the financial statements in respect of classification of investments (note 4.1) and impairment losses (note 4.2)



4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

4.1 Investment

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

The Management Company determines the appropriate classification of the The Fund's investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement', at the time of purchases and re-evaluates this classification on a regular basis.

Investments of the Fund are categorized as follows: -

4.1.1 Financial Assets at Fair Value through Profit or Loss

"These financial assets are classified as held for trading or designated by the management at fair value through profit or loss at inception. Financial assets held for trading are those acquired principally for the purpose of selling in the near term. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy."

Financial assets at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. The fair value of financial instruments traded in active market is based on quoted market prices. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

4.1.2 Held-to-Maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognised at cost inclusive of transaction cost and are subsequently carried at amortised cost using effective interest rate method, less any impairment losses. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount. Gains and losses are recognised in the profit and loss account when the investments are de-recognised or impaired, as well as through the amortisation process.

4.1.3 Available-for-Sale

These are non-derivative financial assets that are designated as available-for-sale and may be sold in response to needs for liquidity or changes in interest rates or market prices or are not classified in any of the three other categories



a) Un-Quoted Securities

Government securities are initially measured at investment price plus transaction cost and subsequently remeasured at the average rate quoted on a widely used electronic quotation system based on the tenor of the security.

"Debt securities are initially measured at investment price plus transaction cost and subsequently remeasured at fair value at the rate notified by the Mutual Funds Association of Pakistan (MUFAP)."

b) Quoted Securities

"Quoted securities are initially measured at fair value plus transaction cost and subsequently remeasured at fair value at the rate notified by MUFAP."

Net gains and losses arising on changes in fair values of these investments are taken to equity as part of Unit Holders' Funds. When securities are disposed off or impaired, the related fair value adjustments previously taken to Unit Holders' Fund are transferred to the Income Statement.

4.1.4 Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and either (a) the Company has transferred substantially all risks and rewards of ownership or (b) the Company has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred the control of the asset.

4.2 Impairment

The carrying amount of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement and is reversed through the profit and loss account as well.

Provision of non-performing debt securities is made on the basis of time based criteria as prescribed under circular No. 1 of 2009 issued by the Securities and Exchange Commission of Pakistan.

The management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with provisioning policy approved by the Board of Directors.

4.3 Provisions

Provisions are recognized when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

4.4 Securities Under Repurchase Agreements

Transaction of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified period of time. Securities sold with a simultaneous commitment to repurchase at a specific future date (repo) continue to be recognized in the statement of assets and liabilities and are measured in accordance with accounting policies for investment in securities. The counterparty liabilities for amount received under these transactions are recorded as liabilities. The difference between sale and repurchase price treated as borrowing charges and accrued over the period of the repo agreement.



4.5 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of balances with banks net of short-term running finance under mark-up arrangements, if any.

4.6 Accrued and Other Liabilities

Accrued and Other liabilities are carried at cost which is the fair value of consideration to be paid in the future for the services received whether billed or not to the Fund.

4.7 Taxation

The charge for the current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

The Fund has not recognised any amount of deferred tax in these financial statements as the Fund intends to continue availing tax exemption in future years by distributing at least 90% of the accounting income for the year as reduced by capital gain, whether realised or unrealised to its unit holders every year.

4.8 Issue and Redemption of Units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowance for sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is not charging any sales load, transactions costs or any provision for duties and charges.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is not charging any back-end load, transactions costs or any provision for duties and charges.

4.9 Element of Income and Capital Gains in Prices of Units Sold less Units Redeemed

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

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

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

4.10 Net Assets Value per Unit

The net assets value per unit disclosed in the net Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.



4.11 Dividend Distributions and Appropriations

Dividend distributions and appropriations, if any, are recognized in the period in which the distributions and appropriations are approved.

4.12 Revenue Recognition

Income on debt securities, placements and bank deposits is recognized on a time proportionate basis.

Gains/(losses) arising on sale of investments are included in the income statement on the date at which transaction takes place.

4.13 Financial Assets and Liabilities

Financial Assets carried on the statement of assets and liabilities include investments, bank balances, advances and other receivables. Financial Liabilities include remuneration payable to Management Company, remuneration payable to Trustee, payable to unit holders against redemption of units and accrued and other liabilities.

All the Financial assets and liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument and de-recognised when the Fund loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. The particular recognition method adopted for measurement of financial assets and financial liabilities is disclosed in the individual policy statement associated with each item.

4.14 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of Assets and Liabilities when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liabilities simultaneously.

	Note	2010 Rupees	2009 Rupees
5. INVESTMENTS			
<i>Available for Sale</i>			
Investment in Debt Securities	5.1		
Quoted Debt Securities		177,413,821	420,332,883
Un-Quoted Debt Securities		99,650,841	208,474,015
		277,064,662	628,806,898
Placements			
Certificates of Investment	5.2	-	124,318,418
Certificates of Musharika	5.3	50,000,000	100,000,000
		50,000,000	224,318,418
		327,064,662	853,125,316



	Opening as at July 01, 2009	Purchased	(Matured)/ (Sold)	Closing as at June 30, 2010	Cost as at June 30, 2010	Market Value/ Carrying as at June 30, 2010	Unrealised loss at June 30, 2010	Return on investment	Percentage of Total Investment
	←----- Number of Certificate -----→				←----- Rupees -----→			←----- % -----→	
5.1 Investment in Debt Securities									
Face Value of Rs. 5000/- Each									
<i>Quoted Debt Securities</i>									
Financial Services									
Invest Capital Investment Bank Limited	6,000	-	-	6,000	30,000,000	29,911,620	(88,380)	K6+1.9	9.15
Escort Investment Bank Limited	10,000	-	-	10,000	33,306,600	33,024,893	(281,707)	K6+2.5	10.10
Trust Investment Bank Limited	10,000	-	-	10,000	43,732,500	39,469,019	(4,263,481)	K6+1.85	12.07
						102,405,532			
Commercial Banks									
Askari Commercial Bank Limited I	10	-	(10)	-	-	-	-	-	-
NIB Bank Limited	14,000	-	(10,001)	3,999	19,979,004	19,183,080	(795,924)	K6+1.15	5.87
						19,183,080			
Construction and Material									
Dewan Cement Limited (Refer note 5.4)	30,000	-	-	30,000	150,000,000	-	(150,000,000)	K6+2	-
Fixed Line Telecommunication									
Worldcall Telecom Limited	4,000	-	(4,000)	-	-	-	-	-	-
Worldcall Telecom Limited	20,000	-	(20,000)	-	-	-	-	-	-
						-			
Chemicals									
Engro Fertilizers Limited (Refer note 5.1.2)	11,400	-	-	11,400	56,943,000	55,825,209	(1,117,791)	K6+1.55	17.07
Real Estate Investment and Services									
Pace Pakistan Limited	15,000	-	(15,000)	-	-	-	-	-	-
<i>Total Quoted Debt Securities</i>					333,961,104	177,413,821	(156,547,283)		



	Opening as at July 01, 2009	Purchased (Matured)/ (Sold)	Closing as at June 30, 2010	Cost as at June 30, 2010	Market Value as at June 30, 2010	Unrealised loss at June 30, 2010	Return on investment	Percentage of Total Investment
	Number of Certificate			Rupees			%	
Unquoted Debt Securities								
<i>Term Finance Certificates (TFCs)</i>								
<i>Financial Services</i>								
Grays Leasing Company	6,300	-	6,300	11,375,000	8,531,250	(2,843,750)	K6+2.5	2.61
<i>Construction and Material</i>								
Gharibwal Cement Limited (Refer note 5.4)	3,000	(3,000)	-	-	-	-	-	-
<i>Cable & Electric Goods</i>								
New Allied Electronics Industries Limited (Refer note 5.4)	16,183	(4,660)	11,523	28,283,312	-	(28,283,312)	K3+2.75	-
<i>Miscellaneous</i>								
Avari Hotels Limited	4,560	(4,560)	-	-	-	-	-	-
Optimus Limited	10,000	(800)	9,200	45,963,200	44,191,778	(1,771,422)	K6+2.1	13.51
Trakker Pakistan Limited *	200	-	200	7,500,000	7,437,128	(62,872)	K6+3.5	2.27
				93,121,512	60,160,156	(32,961,356)		
Sukuks								
<i>Modarabas</i>								
Invest Capital Investment Bank Limited	4,000	-	4,000	17,083,331	16,542,148	(541,183)	K6+1.9	5.06
B.R.R. Guardian Modaraba	1,000	(1,000)	-	-	-	-	-	-
<i>Construction and Material</i>								
Kohat Cement Company Limited (Refer note 5.1.1 and 5.4)	20,000	(13,665)	6,335	30,598,050	22,948,537	(7,649,513)	K6+1.8	7.02
<i>Total Unquoted Debt Securities</i>								
<i>Total Debt Securities</i>								
Impairment Loss				47,681,381	39,490,685	(8,190,696)		
				140,802,893	99,650,841	(41,152,052)		
				474,763,997	277,064,662	(197,699,335)		84.71
				-	-	185,932,825		
				474,763,997	277,064,662	(11,766,510)		

* Face value of Rs. 100,000/-

- 5.1.1 Kohat Cement Company Limited (KCCL) defaulted in repayments of their installments on their respective maturity dates and accordingly as per provisioning policy, the sukuk was valued at 10% of its cost amounting to Rs. 3.06 million and remaining 90% amounting to Rs 27.54 million was provided. The said Sukuk was restructured in February 2010 and upon receipt of two installments, MUFAP classified the said Sukuk as performing on June 28, 2010. As per restructuring terms, KCCL agreed to repay the deferred mark-up till September 20, 2012 and then repayment of principal. Mark-up rate ranges from 3 months KIBOR plus 1.8% to 3 months KIBOR plus 2.5% per annum.

Subsequently, on July 07, 2010, management received a formal letter # SCD/NBFC - II/DD/DCML/54/2010 from SECP advising the Fund to revalue the said Sukuk at MUFAP rate. Since the MUFAP rate was Rs. 75 per unit on June 28, 2010, the management reversed the excess provision against the principal amounting to Rs. 19.89 million and suspended mark-up amounting to Rs. 4.05 million in profit and loss account.

- 5.1.2 It includes following TFCs pledged against unavailed running finance facility of Rs. 38 million (2009: Rs.38) million from a financial institution:

Name of Security	Number of Certificates	Market Value Rupees
Engro Fertilizers Limited	11,400	55,825,209
		55,825,209



	Opening as at July 01, 2009	Purchased	(Matured)	Closing as at June 30, 2010	Impairment Loss	Carrying Value as at June 30, 2010	Date of Maturity	Return on Investment	Percentage of Net Assets
	←..... Rupees→							←..... %→	
5.2 Certificate of Investments									
Saudi Pak Leasing Company Limited (Refer note 5.2.1 and 5.4)	126,298,403	-	(19,765,070)	106,533,333	(106,533,333)	-	April 15, 2014	9.00	0.00
Trust Investment Bank (Refer note 5.4)	50,170,015	-	(21,128,656)	29,041,359	(29,041,359)	-	March 11, 2009	K1	0.00
Invest Capital Investment Bank Limited	4,100,000	-	(4,100,000)	-	-	-			
	180,568,418	-	(44,993,726)	135,574,692	(135,574,692)	-			0.00

5.2.1 Saudi Pak Leasing Company Limited (SPLCL) defaulted in repayment of their installments on their respective maturity dates. The management company has negotiated with them and rescheduled the repayments terms as follows:

SPLCL has offered to repay around Rs. 2.15 million per month with profit rate at 9% per annum. They also offered that the balance principal be paid after April 15, 2012. It will mature on April 15, 2014.

However, provision against these Certificate of Investments have been made as required under NBFC regulations, 2008 and Circular 1 of 2009.

5.3 Certificates of Musharika

Invest Capital Investment Bank Limited-I	50,000,000	-	(50,000,000)	-	-	-			
Invest Capital Investment Bank Limited-II	50,000,000	-	-	50,000,000	-	50,000,000	3-Sep-10	14.42	15.29
	100,000,000	-	(50,000,000)	50,000,000	-	50,000,000			

K = Karachi Inter Bank Offer Rate



Details of Non compliance Investments Under SECP Circular No.16 dated July 07, 2010 are as follows:

Name of Non-Compliant Investment	Type	Value before Provision	Provision Mode	Value after Provision	% of Net Assets	% of Gross Assets
Engro Fertilizer Limited	TFC	55,825,209	-	55,825,209	14.53%	14.42%
Trust Investment Bank Ltd.	TFC	39,469,019	-	39,469,019	10.28%	10.20%
Optimus Limited	TFC	44,191,778	-	44,191,778	11.51%	11.42%
Invest Capital Investment Bank Limited	COM	50,000,000	-	50,000,000	13.02%	12.92%
Dewan Cement Limited	TFC	150,000,000	150,000,000	-	0.00%	0.00%
New Allied Electronics Industries Limited	TFC	28,283,312	28,283,312	-	0.00%	0.00%
Kohat Cement Company Limited	Sukuk	30,598,050	7,649,513	22,948,537	5.97%	5.93%
Gray Leasing Company	TFC	8,531,250	-	8,531,250	2.22%	2.20%
Invest Capital Investment Bank Limited	TFC	29,911,620	-	29,911,620	7.79%	7.73%
Invest Capital Investment Bank Limited	Sukuk	16,542,148	-	16,542,148	4.31%	4.27%
Saudi Pak Leasing Company Limited	COI	106,533,333	106,533,333	-	0.00%	0.00%
Trust Investment Bank Limited	COI	29,041,359	29,041,359	-	0.00%	0.00%
Total		588,927,078	321,507,517	267,419,561	69.62%	69.09%



5.4 Break up and movement of impairment loss on investments classified as non-performing are as follows:

	Cost	At July 01, 2009	Impairment		At June 30, 2010
			During the Year	Reversals through Sale of Securities	
Term Finance Certificates					
Dewan Cement Limited	150,000,000	150,000,000	-	-	150,000,000
Kohat Cement Company Limited	30,598,050	24,150,000	42,901,268	(59,401,755)	7,649,513
Gharibwal Cement Company Limited	-	-	7,495,500	(7,495,500)	-
New Allied Electronics Industries Limited	28,283,312	37,624,155	1,196,480	(10,537,323)	28,283,312
	208,881,362	211,774,155	51,593,248	(77,434,578)	185,932,825
Placements					
Saudi Pak Leasing Company Limited	106,533,333	37,500,000	69,033,333	-	106,533,333
Trust Investment Bank Limited	29,041,359	18,750,000	10,291,359	-	29,041,359
	135,574,692	56,250,000	79,324,692	-	135,574,692
Total	344,456,054	268,024,155	130,917,940	(77,434,578)	321,507,517

	Note	2010 Rupees	2009 Rupees
6. BANK BALANCE			
Deposit Account	6.1	<u>43,584,085</u>	<u>-</u>

6.1 The profit rate on this account is 10% per annum (2009 : 4% per annum).

7. ADVANCE AND PROFIT RECEIVABLE
- *Considered Good*

Profit/Return Accrued on:		
- Term Finance Certificates	13,707,941	31,124,114
- Placements	2,370,412	5,616,287
- Bank Balance	307,354	-
Advance Income Tax	-	139,370
	<u>16,385,707</u>	<u>36,879,771</u>

8. REMUNERATION PAYABLE TO MANAGEMENT COMPANY

The Regulations allow remuneration to the management company for services rendered to the Fund up to a maximum of 3% per annum of the average annual net Assets of the Fund for the first five years and 2% per annum of the average annual net Assets thereafter. The Management Company is currently charging 1% per annum of the average daily net Assets value of the Fund.

Average Annual Net Assets	<u>583,551,400</u>	<u>1,409,221,334</u>
Remuneration (1% of Average Annual Net Assets)	5,835,514	14,092,213
Remuneration Waived During the Period	-	(8,820,614)
Charge for the Year	<u>5,835,514</u>	<u>5,271,599</u>



9. REMUNERATION PAYABLE TO TRUSTEE

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

10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of Regulation 62 the Non-Banking Finance Companies and Notified Entities Regulations, 2008 Fund is required to pay annual fee to SECP, an amount equal to 0.075% of the average daily net assets of the fund.

	Note	2010 Rupees	2009 Rupees
11. ACCRUED AND OTHER LIABILITIES			
Accrued Expenses		385,000	1,384,227
Mark-Up on Running Finance		69,734	4,742
Worker's Welfare Fund	15	1,540,781	-
		<u>1,995,515</u>	<u>1,388,969</u>
12. SECURITIES TRANSACTION COST			
Brokerage		186,007	2,202,364
Capital Value Tax		-	174,488
		<u>186,007</u>	<u>2,376,852</u>
13. AUDITOR'S REMUNERATION			
Annual Audit Fee		180,000	180,000
Half Yearly Review Fee		80,000	80,000
Code of Corporate Governance		15,000	15,000
Out of Pocket Expenses		20,000	15,000
		<u>295,000</u>	<u>290,000</u>
14. FINANCIAL CHARGES			
Mark-Up on Running Finance		421,605	3,219,359
Mark-Up on Repo Transactions		-	41,563,259
Bank Charges		17,784	20,094
		<u>439,389</u>	<u>44,802,712</u>



15. WORKERS WELFARE FUND

The MUFAP, on behalf of its member AMCs, obtained a legal opinion to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinion, among other things, states that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the letter suggest that provisioning was neither required nor necessary. Further, opinion suggest that the petition filed with the High Court of Sindh be withdrawn. However, on prudence basis, the management has made the provision of WWF in these financial statements.

16. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as, in the opinion of management, the determination of weighted average units for calculating EPU is not practicable.

17. TAXATION

The Fund is exempt from tax under clause 99 of Part 1 of Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance), subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed amongst its unit holders.

The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11 of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

18. LIST OF BROKERS IN ORDER OF PERCENTAGE OF COMMISSION PAID

	Percentage of commission paid
For the Year Ended June 30, 2010	%
i). First Capital Securities Corporation Limited	42.38
ii). JS Global Capital Limited	31.06
iii). KASB Securities Limited	25.55
iv). Invest Capital Investment Bank Limited	1.01
For the Year Ended June 30, 2009	
i). Dawood Equities Limited	84.87
ii). Global Securities Limited	9.19
iii). First Dawood Investment Bank Limited	5.55
iv). Alfalah Securities (Private) Limited	0.17
v). First Capital Securities Corporation Limited	0.13
vi). Shahzad Chamdia Securities (Private) Limited	0.09

19. TRANSACTIONS WITH CONNECTED PERSONS

“Connected persons comprise of management company, associated undertakings, directors, trustee and key management personnel of the management company.”

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market norms.



	2010 Rupees	2009 Rupees
Dawood Capital Management Limited - Management Company		
Remuneration For the Year	5,835,514	5,271,599
Number of Units Issued	-	234,974
Value of Units Issued	-	23,068,316
Number of Units Redeemed	-	421,498
Value of Units Redeemed	-	42,991,497
Directors and officers of the Fund		
Number of Units Issued	80,828	4,715
Value of Units Issued	5,880,790	487,000
Number Bonus Units Issued	-	871
Value of Bonus Units Issued	-	87,084
Number of Units Redeemed	-	8,582
Value of Units Redeemed	-	866,911
Bank AL-Habib Limited-Trustee		
Remuneration For the Year	958,552	1,833,513
Mark-Up on Short-Term Finance	421,605	3,219,359
Profit on Bank Balance	1,789,800	355,361
Term Deposit Receipt	25,000,000	-
Term Deposit Receipt Matured	25,000,000	-
Profit of Term Deposit Receipt	349,315	-
First Dawood Investment Bank Limited		
Number of Units Issued	-	1,307,805
Value of Units Issued	-	134,000,000
Number of Units Redeemed	884,030	1,063,652
Value of Units Redeemed	62,166,513	109,619,368
Number Bonus Units Issued	-	36,880
Value of Bonus Units Issued	-	3,704,738
Placements	-	25,000,000
Return on Placements	-	1,840,722
Loss on Sale of Pakistan Investment Bonds	-	18,599,271



	2010	2009
	Rupees	Rupees
BRR Guardian Modaraba		
Number of Units Issued	-	1,028,910
Value of Units Issued	-	105,000,000
Number of Units Redeemed	722,637	344,981
Value of Units Redeemed	52,609,442	35,182,385
Placements	-	100,000,000
Return on Placements	-	1,263,151
Employees of DCML		
Number of Units Issued	-	2 0
Value of Units Issued	-	2,000
Bonus Units Issued	-	1,088
Value of Bonus Units Issued	-	109,304
Number of Units Redeemed	-	4,884
Value of Units Redeemed	-	441,567

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Fair Value Hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



	Level 1	Level 2	Level 3
	-----Rupees-----		
Available-for-Sale Financial Assets			
Quoted Debt Securities	177,413,821	-	-
Unquoted Debt Securities	-	99,650,841	-

There were no transfers between Level 1 and 2 in the period.

21. FINANCIAL RISK MANAGEMENT POLICIES

The Fund's activities expose it to the variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

"The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance."

The Fund's use different methods to measure and manage the various types of risks to which it is exposed, these are summarised below;

21.1. Price Risk

Price risk the risk that the value of a financial instrument may fluctuate as a result of changes in market prices. This risk arises from the investments held by Fund for which prices are uncertain in future. The Management Company manages its price risk through diversification and by continued monitoring of its investment portfolio by following the internal guidelines and NBFC regulations laid down by the SECP.

21.2 Yield/Interest/Mark-Up Rate Risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest/markup rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest/mark-up rates.

Sensitivity to the interest/markup rate risk arises from mismatches or gaps in the amounts of interest/mark-up based assets and liabilities that mature or reprice in a given period.

The Fund is mainly exposed to interest/mark-up rate risk on its investments and on balance held with bank. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within acceptable limits.

The interest/mark-up rate profile of the Fund is as follows: -



	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
Rupees				
As at June 30, 2010				
Term Finance Certificates	277,064,662	-	-	277,064,662
Placements in				
- Certificate of Investment	-	-	-	-
- Musharika Certificates	50,000,000	-	-	50,000,000
Profit/Return accrued on Investments	-	-	16,385,707	16,385,707
Cash at Bank	-	43,584,085	-	43,584,085
	327,064,662	43,584,085	16,385,707	387,034,454
As at June 30, 2009				
Term Finance Certificates	628,806,898	-	-	628,806,898
Placements in				
- Certificate of Investment	-	124,318,418	-	124,318,418
- Musharika Certificates	100,000,000	-	-	100,000,000
Profit/Return Accrued on Investments	-	-	36,740,401	36,740,401
	728,806,898	124,318,418	36,740,401	889,865,717

21.2.1 Interest/Mark-Up Rate Sensitivity

If the interest/mark-up rate would have been higher/lower by 50 basis points and all the other variable remains constant, the Fund's profit would have been lower/higher by Rs. 4,047,376 for the year ended June 30, 2010 (June 30, 2009: lower/higher by Rs. 7,751,937). This is attributable to the Funds exposure to interest/mark-up rates on its floating rate securities.

Management is of the view that the above sensitivity analysis are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest/mark-up rate risk management process used to meet the Fund's objectives.

21.3. Credit Risk

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

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

The management has accounted for the credit risk as follows:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with brokers, whose credit worthiness is taken into account so as to minimise the risk of default.



- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.
- Cash is held with reputable bank with high quality external credit rating.

21.3.1 Concentration of Credit Risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Fund's concentration of credit risk of the financial instruments by industrial distribution are given in the respective note 5.1 to the financial statements.

21.4 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its obligations and commitments associated with financial instruments. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings. Liquidity is also augmented by making disposal of investments, where necessary.

21.4.1 Liquidity Risk Sensitivity

Fund's contractual maturity for its non-derivative financial liabilities amounting to Rs 2.93 million (June 30, 2009: Rs 16.66 million) is non interest bearing and are payable within three months.

22. CAPITAL RISK MANAGEMENT

The Fund's capital is represented by redeemable units. They are entitled to dividend and payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units. The Fund's objective when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for unit holders and to maintain an optimal fund structure to reduce the cost of the Fund.



23. PERFORMANCE TABLE

	2010	2009	2008	2007
Total Net Asset Value (Rupees)	384,104,223	873,342,417	3,539,993,016	3,325,547,246
Net Assets Value per unit	79.54	81.03	110.70	111.46
Redemption Price as at June 30	79.54	81.03	110.79	111.46
Repurchase Price as at June 30	79.54	81.03	110.79	111.46
Highest Issue Price of Units	85.01	104.04	110.79	111.25
Lowest Issue Price of Units	70.92	72.10	100.85	100.64
Highest Redemption Price of Units	84.17	104.04	110.79	111.46
Lowest Redemption Price of Units	70.22	71.96	100.56	100.25
Net (Loss)/Income for the Year	75,498,280	(187,496,037)	329,232,339	323,979,233
Income Distribution (Rupees)	68,091,413	-	327,768,502	325,504,624
Return on Fund (%)	19.66	(5.30)	9.90	18.57
Capital Growth on Return on Fund (%)	1.93	(5.30)	0.04	(0.08)
Income distribution on Return on Fund (%)	17.73	-	9.86	18.66
Distribution Date	July 06 and October 04, 2010	-	July 15, 2008	July 14, 2007
Dividend Distribution Per Unit (Rupees)	14.10	-	10.25	10.9
Earning Per Unit (Rupees)		(17.40)	10.30	10.86
Average Annual Return (%)	Note 16			
One Year	(7.84)	(19.33)	10.06	11.2
Two Year	(8.05)	(4.75)	10.12	10.9
Three Year	(5.47)	0.61	10.00	9.9
Average Portfolio Duration (days)	853	877	952	552

- The income distribution have been shown against the year to which they relate although these were declared and distributed subsequently to the year end.
- Past performance is not necessarily indicative of future performance, and that unit price and investment return may go down, as well as up.
- The breakdown of the Fund's investment portfolio between industry sectors have been disclosed in note 5.1 to these financial statements.



24. PARTICULARS OF FUND MANAGER

Name of Fund Manager	Qualification	Name of Other Funds Managed
Muhammad Ahmed *	B.Com	Dawood Islamic Fund First Dawood Mutual Fund
Khalid Mehmood **	MBA	Dawood Islamic Fund Dawood Money Market Fund

* Appointed on February 10, 2010

** Left on January 31, 2010

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

Name of Member	Qualification	Experience
Mr. Muhammad Ahmed	B.Com.	18 Years
Mr. Saleem Munshi	MBA Finance	29 Years
Mr. Muhammad Amir Siddiqui	C.A. finalist	7 Years
Mr. Mustansir Shabbar*	MCS and MPA	7 Years
Mr. Khalid Mehmood *	MBA Finance	9 Years

* Appointed on February 25, 2010

** Left on January 31, 2010

26. ATTENDANCE OF MEETING OF BOARD OF DIRECTORS (BoD) OF THE MANAGEMENT COMPANY

During the year the five meetings were held on July 06, September 15, October 23 in 2009, February 25 in 2010 and; on April 27, 2010. Following is the attendance table: -

Name of Director	Held	Attended	Leave Granted
Mr. Feroze Sayeed-ud-Daene	5	4	1
Miss Tara Uzra Dawood	5	3	2
AVM (Retd) Zulfiqar Ahmed Shah	5	5	-
Mr. Nazimuddin Feroz	5	2	3
Mr. Iftikar Hussain	5	4	1
Syed Shabhat Hussain*	2	2	-

* Appointed on January 01, 2010



27. PATTERN OF UNIT HOLDING

Categories	No. of Unit Holders	Units Held	Investment Amount Rupees	% of Total
Individuals	274	519,514	41,321,210	10.76
Associated Companies & Directors	1	144,883	11,523,733	3.00
Insurance Companies	2	22,412	1,782,610	0.46
Banks/DFIs	4	3,254,509	258,857,797	67.39
NBFCs	1	7,994	635,833	0.17
Retirement Funds	18	638,145	50,756,906	13.21
Public Limited Companies	-	-	-	0.00
Others	9	241,722	19,226,133	5.01
	309	4,829,179	384,104,223	100

28. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company has approved a stock dividend of Rs. 14.10 per unit for the year ended June 30, 2010, amounting to Rs 68.09 million in their meetings held on July 06, 2010 and October 04, 2010 respectively. These financial statements do not include the effect of this appropriation as this will be accounted for in the financial statements for the year ending June 30, 2011.

29. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on October 4, 2010 by the Board of Directors of the Management Company.

30. FIGURES

All figures have been rounded off to the nearest Rupee.

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

Chief Executive Officer

Director

Director