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**FUND'S INFORMATION****Management Company**

BMA Asset Management Company Limited  
801 Unitower. I.I. Chundrigar Road,  
Karachi-74000

**Board of Directors of the Management Company**

Mr. Waqar Hassan Siddique	Chairman
Mr. Muddassar Malik	Chief Executive
Mr. Abdullah Shahin	Director
Mr. Omer Syed	Director
Mr. Thomas James Speechley	Director
Mr. Tashfin I. Huq	Director
Mr. Zahid Qasim Noorani	Director
Mr. Muhammad Iqbal	Director

**Company Secretary & CFO of the Management Company**

Mr. Muhammad Amir Iqbal

**Audit Committee of the Management Company**

Mr. Muhammad Iqbal	Chairman
Mr. Tashfin I. Huq	
Mr. Zahid Qasim Noorani	

**Trustee**

MCB Financial Services Limited  
Trustee Office 3<sup>rd</sup> Floor Adamjee House I.I. Chundrigar Road Karachi

**Bankers**

Standard Chartered Bank (Pakistan) Limited  
KASB Bank Limited  
JS Bank Limited  
Bank Al-Habib Limited  
The Bank of Khyber  
Faysal Bank Limited  
MCB Bank Limited  
Bank Alfalah Limited  
Silk Bank Limited

**Distributors**

Standard Chartered Bank (Pakistan) Limited  
BMA Financial Services Limited

**Auditors**

Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants  
Progressive Plaza, Beaumont Road, Karachi

**Legal Adviser**

KMS Law Associates  
207, Beaumont Plaza behind PIDC House, Karachi

**Registrar**

Technology Trade (Pvt.) Limited  
Dagia House, 241C, Block 2, PECHS Karachi

**Management Quality Rating**

AM2- by JCR VIS Credit Rating Company Limited

### **MISSION STATEMENT**

***The BMA Chundrigar Road Savings Fund seeks to provide its investors attractive income with concern for preservation of capital by investing in all fixed income and money market instruments of low risk and short duration to generate attractive rates of return. The Fund will seek to maintain a rupee-weighted average maturity of the investment portfolio of not more than 365 days. The benchmark shall be average one month Kibor rate prevailing within the particular time period.***

### **VISION STATEMENT**

***BMA Asset Management seeks to establish itself as a leader within the asset management industry of Pakistan by following the principles of prudent investment practice and keeping our fiduciary responsibility towards our investors as the core belief to our investment philosophy.***

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of BMA Asset Management Company Limited, the Management Company to BMA Chundrigar Road Savings Fund (BCSF) is pleased to present the year end report of the Fund for the year ended June 30, 2011.

### PROFILE

The launch announcement of the BMA Chundrigar Road Savings Fund (“BCSF”) was made on 14 August, 2007, Pakistan’s 60th year of independence and BCSF was formally launched on 23rd August. The BCSF seeks to provide its investors with an attractive rate of return by investing in all fixed income and money market instruments of low risk and short duration. The fund’s aim is to maintain a rupee-weighted average maturity for the investment portfolio of not more than 5 years. The benchmark for our return is one month KIBOR and all investment returns obtained from the Fund are exempt from capital gains, withholding and income tax.

### FUND’S FINANCIAL PERFORMANCE

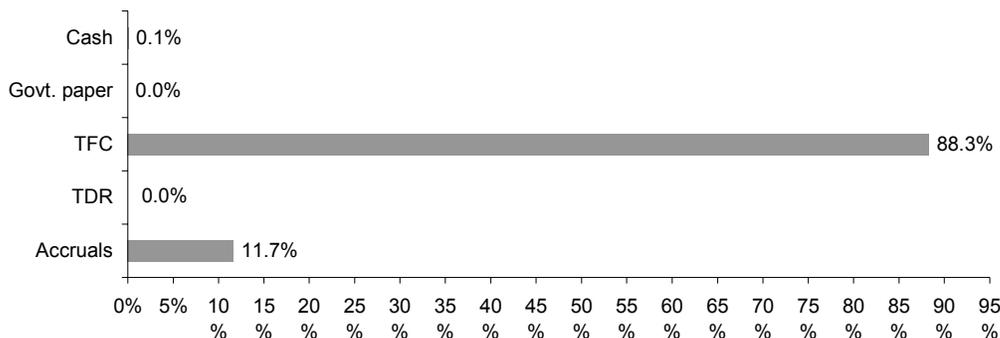
During FY11 (Jul10- Jun11) the Fund earned Rs. 28.0 mn from income on investments, bank balances and term deposits. Due to unfavourable movement in TFC prices loss on investments held at fair value stood at Rs. 15.8 mn. With Rs. 7.6 mn in element of income total income came to Rs. 19.8 mn

Expenses for the year totalled Rs. 5.4 mn and consisted of Rs. 0.5 mn remuneration to the trustee of the fund, Rs. 0.1 mn fee to the SECP and Rs. 2.9 mn remuneration to the management company. As a result net income for the year was Rs. 14.5 mn.

<b>Financial highlights</b>	<b>June 30, 2011</b>
	<b>Rupees</b>
Mark up/interest income	28,002,117
Loss on investments	(15,761,517)
Element of income	7,603,877
<b>Total Income</b>	<b>19,844,477</b>
Expenses	5,362,220
<b>Net Income</b>	<b>14,482,257</b>
Net Asset Value per unit (Rupees)	9.52

As of 30 June the net assets of the Fund were Rs. 119.1 mn, of which 0.05% was held as cash while TFCs comprised the major investment with 88.3%. The weighted average time to maturity of the portfolio as of 31 March was 5.56 years.

### Asset Allocation [30.06.11]



## **RETURN DURING THE PERIOD FOR INVESTORS**

During the year ended 30 June 2011 the Fund had generated an annualized return of 1.32%.

## **RECENT DEVELOPMENTS**

The fund size has continued to decrease, while returns have experienced high volatility due to TFC price volatility. Current TFC holdings while adhering to their payment schedules are not liquid. Recovery against provisioned assets is underway.

## **MACROECONOMIC OUTLOOK**

After increasing the discount rate three times during 1HFY11, the SBP chose to keep it stable at 14.0% during its January, March and May Policy Reviews. The decision not to raise interest rates further was premised on a number of factors which included; easing inflation, retirement of government borrowing from the SBP, stable external accounts and PKR strength against the USD.

Inflationary pressures increased as CPI rose from 11.73% in Jun10 to 13.92% in Jun11. The government's decision to pass through international oil prices to domestic consumers played a significant part in this. However food inflation has recovered from the effects of the 2010 floods and has dropped from over 20.36% in Dec10 to under 15.70% in Jun11. With CPI under 14.0%, real interest rates are now positive.

In addition the government has in a surprising show of fiscal discipline adhered to and even bettered the limits on central bank borrowing agreed upon with the SBP. Since Dec10 the government has retired over Rs. 280 billion in borrowing from the SBP. The monetization of the fiscal deficit was one of the primary concerns of the SBP during FY11 and they have for the time being been effectively addressed.

More good news came in the form of the current account balance which posted a surplus of at \$437mn during FY11 against a deficit of \$3.9 billion in FY10. This improvement came on the back of booming exports which have grown by over 30.0% and higher worker remittances which have jumped 25.5% to \$11.0 billion during FY11.

As a result of these dollar inflows, the PKR has maintained value and depreciated by only 0.53% against the USD during FY11 as compared to 3.36% in FY10. With FX reserves at record levels of \$18.2 billion, the country has adequate import cover of six months.

However there are few risks to the improving macroeconomic scenario. Chief amongst them are higher commodity prices. With crude oil showing strength, the pass through in petroleum and electricity prices will become essential if the government does not wish to spend scarce resources on subsidizing consumption. The pass through of these higher commodity prices to domestic consumers and inflationary effect along the value chain is expected to keep CPI above 12.0% in the coming year ahead.

Though successfully shifting the burden of deficit financing from the SBP to domestic scheduled banks will have beneficial effects on demand led inflation it will and has led to tighter liquidity, private sector crowding out and higher short to medium term yields. This raises concerns on economic growth as access to cheap credit is essential to generate momentum from the recessionary effect of the 2008 supply side shocks. With \$3 billion in principal and interest payments due over the next 12 months, a drawdown in FX reserves combined with a widening deficit could put the PKR under pressure against the USD.

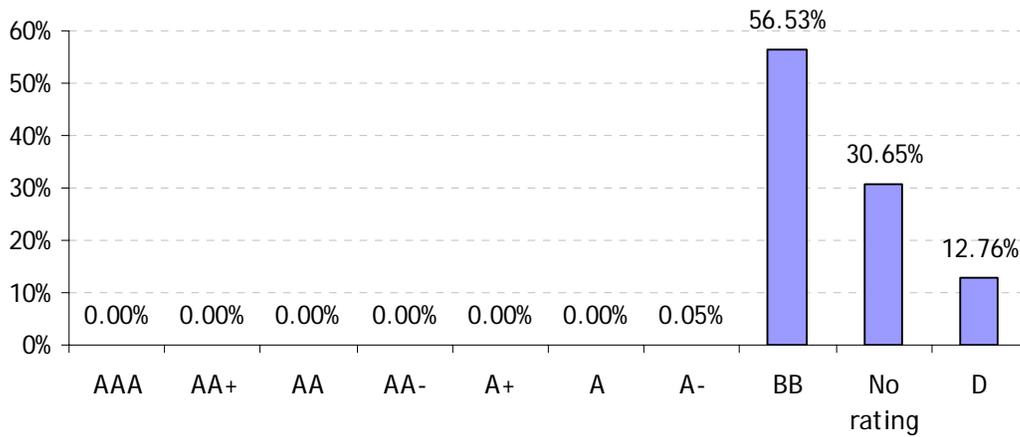
Thus while the macroeconomic environment has improved considerably and unexpectedly over the last quarter there remain red flags which threaten this recovery. While we have a firm conviction on the peak of the interest rate cycle, monetary easing is expected to commence in FY12.

**STRATEGY**

In light of the above macroeconomic scenario, BCSF’s strategy is likely to focus on the following;

- Allocation to TFCs will continue to be reduced so that NAV volatility can be minimized in the coming months.
- Ensure liquidity and ability to meet redemptions.

**Credit Quality**



**Acknowledgement**

The Board is thankful to its valued investors, the Securities and Exchange Commission of Pakistan, the Trustees of the Fund, MCB Financial Services Limited and the Registrar, Technology Trade (Pvt) Limited. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the meticulous management of the Fund.

**For and on behalf of the Board**

**Karachi  
October 25, 2011**

**Muddassar Malik  
Chief Executive Officer**

**REPORT OF THE FUND MANAGER**
**BMA Chundrigar Road Savings Fund**
**NAV 9.5191**
**June 30, 2011**
**FUND COMMENTARY**

During Jun11 BCSF generated an annualized return of 123.29% , while return for FY11 was 1.32%. AUMs were slightly higher at PKR119.15 mn. Portfolio standard deviation was at 6.55% against the 1M KIBOR benchmark volatility of 2.54%. Portfolio duration decreased to 5.56 years as TFC exposure dropped marginally to 88.29%. The fund is expected to start generating competitive returns as normal interest and principal repayments on its corporate debt holdings begin in the new fiscal year. Please note that monthly returns are now calculated using the simple annualized formula.

**FUND OBJECTIVE**

The fund's primary objective is to provide investors with an opportunity for favorable returns through current income and capital appreciation. The fund shall seek to provide an efficient investment medium by aggressively allocating its assets in various fixed income and money market instruments.

**PORTFOLIO CHARACTERISTICS**

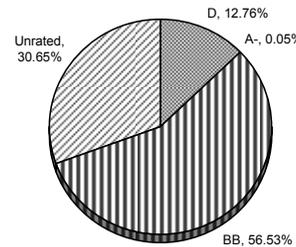
Assets in PKR MLN [30.06.11]	119.15
NAV/unit in PKR [30.06.11]	9.5191
Portfolio Duration	5.56 yrs

**FUND DETAILS**

Fund Type	Open End
Category	Aggressive Income Fund
Inception Date	23-Aug-07
Benchmark	1M KIBOR
Dealing Days	Monday – Friday
Cut-off time	4:00 PM
Pricing Mechanism	Forward
Management Fee	1.50%
Front end Load	Upto 1%
Back end Load	Nil
Fund Stability Rating	BB+ (JCR)
Management Quality Rating	AM2- (JCR)
Risk Profile	High Risk
Listing	KSE
Trustee	MCBFSL
Auditor	Ernst & Young
Transfer Agent	Technology Trade
Legal Advisors	KMS Law Associates

**NON COMPLIANT INVESTMENTS**

Name	Type of Investment	Value of Investment before provision	Provision held if any	Value of Investment after provision	% of Net Assets
Maple Leaf	Sukuk	62.7 mn	3.2 mn	59.5 mn	49.94%
Pace Pakistan	TFC	13.4 mn	Nil	13.4 mn	11.27%
Kohat Cement	Sukuk	32.3 mn	Nil	32.3 mn	27.08%
Cash & Equivalents	Cash	0.05 mn	Nil	0.05 mn	0.05%

**PORTFOLIO RATINGS PROFILE**

**FUND RETURNS**

	BCSF	BM
Monthly Return (Jun) - Simple annualized	123.29%	13.62%
YTD Returns (FY11) - Morning Star	1.32%	13.21%
Portfolio Standard Deviation (Jun)	6.55%	2.54%

**ASSET ALLOCATION**

Asset	Jun	May
Cash	0.05%	0.14%
Placements with Banks & DFIs	0.00%	0.00%
TFCs	88.29%	98.74%
CFS	0.00%	0.00%
PIBs	0.00%	0.00%
T Bills	0.00%	0.00%
Others incl. receivables	11.66%	1.11%
Leverage	None	None

**TFCs (as a % of Net Assets)**

	88.29%
Pace Pakistan Limited	11.27%
Maple Leaf Cement Factory	49.94%
Kohat Cement Company	27.08%

**INVESTMENT COMMITTEE**

Muddassar M. Malik	CEO
Iffat Z. Mankani	CIO
Mustafa O. Pasha	Fund Manager

**KEY FINANCIAL DATA****PERFORMANCE TABLE**

	<b>2011 Rupees</b>	<b>2010 Rupees</b>	<b>2009 Rupees</b>	<b>2008 Rupees</b>
Net Assets	119,152,494	356,015,482	1,154,725,161	3,430,251,475
Net asset value per unit	9.52	10.52	9.69	10.79
Dividend Distribution	-	1.12	-	0.77
Selling price for units	9.62	10.63	9.79	10.90
Repurchase price for units	9.52	10.52	9.69	10.79
Highest Offer price per unit	10.87	10.96	10.51	10.89
Lowest Offer price per unit	8.77	9.87	8.87	10.00
Highest Redemption price unit	10.76	10.85	10.41	10.79
Lowest Redemption price unit	8.68	9.77	8.78	10.00
Annual return (%)	1.32	8.6	(3.17)	9.28
Weighted average portfolio duration	5.56 yrs	4.42 yrs	3.08 yrs	2.52 yrs

\* The Fund was launched on August 23, 2007.

**Disclaimer**

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

**REPORT OF THE TRUSTEE TO THE UNIT HOLDERS****Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

BMA Chundrigar Road Savings Fund, an open-end Scheme was established under a Trust Deed dated April 19, 2007 executed between BMA Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee . The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on May 18, 2007.

1. BMA Asset Management Company Limited, the Management Company of BMA Chundrigar Road Savings Fund, has in all material respects, managed BMA Chundrigar Road Savings Fund during the year ended June 30, 2011 in accordance with the provisions of the following:
  - (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

For the purpose of information, the attention of unit holders is drawn towards auditor's report and note 17 to the financial statements which explain the contingency with respect to the provision against Worker's Welfare Fund contribution amounting to Rs. 1.4 million. In this regard, the Management Company of the fund expects that the constitutional pending in the Honorable Court of Sindh on the subject will be decided favorably.

Karachi: October 11, 2011

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 30 JUNE 2011**

This statement is being presented by the Board of Directors of BMA Asset Management Company Limited, the Management Company of BMA Chundrigar Road Savings Fund to comply with the Code of Corporate Governance contained in Regulation No.35, Chapter XI of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board has seven non-executive directors, however none of them represent minority shareholders.
  2. The directors have confirmed that none of them is serving as a director in more than ten listed companies (including this Fund).
  3. All the resident directors of the Management Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
  4. No casual vacancy occurred on the Board during the year ended June 30, 2011.
  5. The business of the Management Company is conducted in accordance with the “Statement of Ethics and Business Practices” signed by all the directors and employees.
  6. The Board has developed a vision / mission statement and significant policies of 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 the Chief Executive Officer, have been taken by the Board.
  8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
  9. The Directors are conversant of the relevant laws applicable to the Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
  10. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justification for non arm’s length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm’s length transactions only if such terms can be substantiated.
  11. The Board has approved the appointment of CFO, Company Secretary and M/s Yousuf Adil Saleem & Co. Chartered Accountants (Deloitte) as internal auditors, including their remuneration and terms and conditions of employment, as determined by Chief Executive Officer.
  12. The Directors’ Report of the Fund for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
  13. The directors, CEO and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
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14. The Chief Executive Officer and CFO duly endorsed the financial statements of the Fund before approval of the Board
15. The Management Company has complied with all the significant corporate and financial reporting requirements of the Code relevant to the Fund.
16. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors.
17. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results and as required by the Code. The Terms of Reference of the Committee have been formed and advised to the committee for compliance.
18. The Management Company has outsourced the internal audit function to M/s Yousuf Adil Saleem & Co. Chartered Accountants (Deloitte) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Fund confirmed that they have been given a satisfactory rating under Quality Control Review program 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 certificates 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 .
20. 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.
21. We confirm that all other material principles contained in the Code have been complied with.

**For and on behalf of the Board**

**Karachi: October 25, 2011**

**Muddassar Malik  
Chief Executive Officer**

## **REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of BMA Asset Management Company (the Management Company) of **BMA Chundrigar Road Savings Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code 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 reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by The Karachi Stock Exchange vide circular KSE/N-269 dated 19 January 2009 requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2011.

**Ernst & Young Ford Rhodes Sidat Hyder & Co.**

**Karachi: October 25, 2011**

**CHARTERED ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

We have audited the accompanying financial statements of **BMA Chundrigar Road Savings Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2011**, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Management's responsibility for the financial statements***

The 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, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) 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 auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2011** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

***Emphasis of matter***

We draw attention to note 17 to the financial statements which explains the contingency with respect to the provision against Workers' Welfare Fund contribution amounting to Rs. 1.4 million. In this regard, the Management Company of the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably. Our opinion is not qualified in respect of this matter.

***Other matters***

In our opinion, the financial statements have been prepared in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**Karachi: October 25, 2011**

**Ernest & Young Ford Rhodes Sidat Hyder & Co.**  
**CHARTERED ACCOUNTANTS**  
**Omer Chughtai**

STATEMENT OF ASSETS AND LIABILITIES  
AS AT 30 JUNE 2011

	Note	30 June 2011 (Rupees)	30 June 2010 (Rupees)
<b>Assets</b>			
Bank balances	8	55,263	34,457,434
Investments	9	105,202,489	312,022,127
Mark-up / interest receivable	10	12,659,316	9,633,092
Deposits, prepayments and other receivables	11	3,121,845	3,158,681
Preliminary expenses and floatation cost	12	1,149,435	2,148,338
<b>Total assets</b>		<b>122,188,348</b>	<b>361,419,672</b>
<b>Liabilities</b>			
Remuneration payable to the management company	13	139,840	452,963
Remuneration payable to the trustee	14	33,973	55,571
Annual fee payable to Securities and Exchange Commission of Pakistan (SECP)	15	142,958	692,371
Payable against redemption of units		-	413,161
Accrued expenses and other liabilities	16	2,719,083	3,790,123
<b>Total liabilities</b>		<b>3,035,854</b>	<b>5,404,189</b>
<b>CONTINGENCY</b>	17	-	-
<b>NET ASSETS</b>		<b>119,152,494</b>	<b>356,015,483</b>
<b>Unit Holders' Fund</b> (as per statement attached)		<b>119,152,494</b>	<b>356,015,483</b>
<b>Number of units in issue</b>	18	<b>12,517,187</b>	<b>33,853,364</b>
<b>Net asset value per unit</b>	5.7	<b>9.52</b>	<b>10.52</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive Officer**

**Tashfin I. Huq  
Director**

INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2011

	Note	30 June 2011 (Rupees)	30 June 2010 (Rupees)
<b>Income</b>			
Mark-up/ interest income on investments, bank balances and term deposits	19	28,002,117	120,040,891
Loss on investments held at fair value through profit or loss – net	20	(15,761,517)	(32,740,821)
Reversal of impairment against investments classified as held to maturity		-	41,250,000
Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed – net		7,603,877	(56,476,333)
Other income		-	161,836
<b>Total Income</b>		<b>19,844,477</b>	<b>72,235,573</b>
<b>Expenses</b>			
Remuneration of the management company	13	2,862,221	13,847,431
Remuneration of the trustee	14	464,007	1,199,943
Annual fee to SECP	15	142,958	692,371
Custody and settlement charges		40,615	118,802
Amortization of preliminary expenses and floatation cost		998,903	998,903
Brokerage expense		89,769	223,613
Auditors' remuneration	21	416,343	536,593
Bank charges		11,537	34,388
Printing and stationery		22,112	84,410
Mutual fund rating fee		121,440	178,864
Legal and professional charges		72,500	-
Listing fee		107,815	107,390
Others		12,000	3,000
<b>Total expenses</b>		<b>5,362,220</b>	<b>18,025,708</b>
<b>Net Income</b>		<b>14,482,257</b>	<b>54,209,865</b>
<b>Earnings per unit</b>	22	-	-

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive Officer**

**Tashfin I. Huq  
Director**

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011

	<b>30 June 2011 (Rupees)</b>	<b>30 June 2010 (Rupees)</b>
Net income for the year	<b>14,482,257</b>	54,209,865
Other comprehensive income	-	-
Total comprehensive income for the year	<b><u>14,482,257</u></b>	<b><u>54,209,865</u></b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive Officer**

**Tashfin I. Huq  
Director**

DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2011

	30 June 2011 (Rupees)	30 June 2010 (Rupees)
Undistributed income / (loss) brought forward [includes unrealized loss of Rs. 8,518,438 (2009: unrealised loss of Rs. 68,280,019) realized loss of Rs. 170,246,870 (2009: Rs. 101,417,670)]	17,584,232	(36,625,633)
Net income for the year	14,482,257	54,209,865
Distribution of bonus units of 4,043,893 declared on 07 July 2010 (2009: Nil)	(37,983,475)	-
Undistributed (loss) / income carried forward [includes unrealized loss on investments of Rs. 57,951,944 (2010: Rs. 8,518,438) realized loss of Rs. 226,401,090 (2010: Rs. 170,246,870)]	<u>(5,916,986)</u>	<u>17,584,232</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive Officer**

**Tashfin I. Huq  
Director**

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2011

	30 June 2011 (Rupees)	30 June 2010 (Rupees)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	14,482,257	54,209,865
<b>Adjustments for:</b>		
Mark-up / interest income	(28,002,117)	(120,040,891)
Reversal of provision for impairment against investments classified as fair value through profit or loss	(62,371,622)	(17,576,798)
Loss on investments – net	78,133,138	9,067,619
Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed – net	(7,603,877)	56,476,333
Amortization of preliminary expenses and floatation cost	998,903	998,903
	(18,845,575)	(71,074,834)
	(4,363,318)	(16,864,969)
<i>(Increase) / decrease in assets</i>		
Term deposits	-	100,000,000
Deposits, prepayments and other receivables	36,836	1,302,603
Proceeds from sale of securities	281,302,298	1,064,415,266
Investments matured / redeemed during the year	-	55,672,068
Mark-up / interest income received	24,975,893	144,214,025
Purchase of securities	(90,244,176)	(675,503,361)
	216,070,851	690,100,601
<i>Decrease in liabilities</i>		
Remuneration payable to the management company	(313,123)	(913,443)
Remuneration payable to the trustee	(21,598)	(56,348)
Annual fee payable to SECP	(549,413)	(1,157,809)
Payable against redemption of units	(413,161)	(3,521,108)
Accrued expenses and other liabilities	(1,071,040)	(1,164,757)
	(2,368,335)	(6,813,465)
<b>Net cash generated from operating activities</b>	209,339,198	666,422,167
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received on issue of units	26,275,011	1,655,316,335
Cash paid / payable on redemption of units	(270,016,380)	(2,564,647,221)
<b>Net cash used in financing activities</b>	(243,741,369)	(909,330,886)
Net decrease in cash and cash equivalents	(34,402,171)	(242,908,719)
Cash and cash equivalents at beginning of the year	34,457,434	277,366,153
<b>Cash and cash equivalents at end of the year</b>	55,263	34,457,434

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive Officer**

**Tashfin I. Huq  
Director**

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED 30 JUNE 2011

	30 June 2011 (Rupees)	30 June 2010 (Rupees)
<b>Net assets at the beginning of the year</b> [Rs. 10.52 per unit (2009: Rs.9.69 per unit)]	356,015,483	1,154,660,171
Cash received on issuance of units*	26,275,011	1,655,316,335
Cash paid / payable on redemption of units**	(270,016,380)	(2,564,647,221)
	<b>(243,741,369)</b>	<b>(909,330,886)</b>
Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed	<b>(7,603,877)</b>	56,476,333
Net income for the year	<b>14,482,257</b>	54,209,865
Other comprehensive income	-	-
Total comprehensive income for the year	<b>14,482,257</b>	54,209,865
<b>Net assets at the end of the year</b> [Rs. 9.52 per unit (2010: Rs.10.52 per unit)]	<b>119,152,494</b>	<b>356,015,483</b>
	<b>Number of units</b>	
* Number of units issued including 4,043,893 bonus units (2010: Nil)	<b>6,672,650</b>	160,712,173
** Number of units redeemed	<b>28,008,827</b>	245,997,726

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive Officer**

**Tashfin I. Huq  
Director**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011

**1. LEGAL STATUS AND NATURE OF BUSINESS**

BMA Chundrigar Road Savings Fund (the Fund) was established in Pakistan under a Trust Deed executed on 19 April 2007 between BMA Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee and authorized under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) by Securities and Exchange Commission of Pakistan (SECP) on 18 May 2007.

The management company of the Fund has been licensed to act as an asset management company under the NBFC Rules by the SECP. The registered office of the Management company is situated at 801 Uni tower, I.I. Chundrigar Road, Karachi.

The Fund is an open-ended fixed income aggressive mutual fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund except for the units issued to core investors which are not redeemable for a period of two years from the date of issue.

The Fund seeks to provide its investors attractive income with concern for preservation of capital by investing in all fixed income and money market instruments of low risk and short duration to generate attractive rates of returns.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as a trustee of the Fund.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

**3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in note 5.1.

These financial statements have been presented in Pakistan Rupees which is the functional and presentation currency of the Fund.

**4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 – Group Cash-settled Share-based Payment Arrangement

IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

***Improvements to various standards issued by IASB***

*Issued in 2009*

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

IAS 7 – Statement of Cash flows Presentation of Financial Statements

IAS17 – Leases

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments : Recognition and Measurement

*Issued in April 2010*

IFRS 3 – Business Combinations

IAS 27 – Consolidated and Separate Financial Statements

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****5.1 Investments**

The investments, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity investment or available for sale investments, as appropriate.

All investments are initially measured at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs that are directly attributable to acquisition.

All regular way purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investment. Regular way purchases and sales of investments require delivery of securities within the time frame generally established by regulation or market convention.

The investment are classified in the following categories:

***Investments at fair value through profit or loss***

This category has two sub-categories, namely; financial instruments held for trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. Derivative instruments held by the Fund generally comprise of future contracts in the capital markets. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contract. All derivatives are classified as held-for-trading. These are initially recorded at cost. Derivatives with positive fair values (unrealised gains) are included in assets and derivatives with negative fair values (unrealised losses) are included in liabilities in the statement of assets and liabilities.

- Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

After initial measurement, investment designated at fair value through profit or loss are carried at fair value and the gains or losses on revaluation are recognised in the income statement.

#### ***Held to maturity***

Investment with fixed maturities and fixed or determinable payments are classified as held to maturity investments when management has both the intent and ability to hold to maturity. After initial measurement, such investment are carried at amortised cost less any provision for impairment except for in case of debt securities (listed but not regularly traded on a stock exchange) and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations and directives issued by SECP.

#### ***Available for sale***

Investments which are not classified in the above category are classified as available for sale investments. After initial measurement, such investments are measured at fair value with unrealised gains or losses recognised directly in the statement of comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in statement of comprehensive income is taken to the income statement.

Fair value of investments is determined as follows:

##### *Term finance certificates(TFCs) and Sukuk Certificates:*

The Fund's investment in TFCs and Sukuk Certificates are revalued at the rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated 06 January 2009, read with Regulation 66(b) of the NBFC Regulations. Further, the said circular has provided the discretion to the management to apply markup/markdown (within the available limits as prescribed in that circular) to the yields of Non-traded debt securities to arrive at their fair values.

##### *Government securities:*

Fair value of government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

## **5.2 Provisioning policy**

To fulfill the requirement of SECP Circular No. 13 dated 04 May 2009 the BOD approved a comprehensive provisioning policy whereby the Investment Committee (IC) can make accelerated provision against any non-performing security after considering the financial difficulties of the issuer, probability of the borrower entering bankruptcy or financial reorganization, deterioration of key financial ratios, down grade of credit rating, measurable decrease in cash flows and industry out look. The policy states:

An asset shall be classified as non performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter or as specified by the SECP from time to time from the day such income / installment has fallen due.

Whilst the above definition shall remain applicable in all general conditions, the conditions applicable for classification of Deep Discount Bonds as NPA shall be put into practice for investment in all other assets also when the Board of Directors of the Asset Management Company on the recommendation of the IC deems it appropriate and in the best interest of its investors.

An asset is reclassified as 'standard/performing asset' only when both overdue interest and overdue installments are paid in full and there is satisfactory performance for a subsequent period of 6 months.

The complete policy is placed on the company's website for purposes of disclosure and transparency.

### **5.3 Securities under repurchase / resale agreements**

Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement using the effective interest method.

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement using the effective interest method.

### **5.4 Preliminary expenses and floatation costs**

These costs are being amortised over a period of five years commencing from 23 August 2007 in accordance with the Trust Deed. These expenses were paid by the management company.

### **5.5 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the management company, for the applications received by it. The offer price represents the net asset value per unit as of the close of the business day plus provision of duties and charges and provision of transaction costs, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications 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 duties, taxes, charges on redemption and provision for transaction costs, if applicable.

Redemption of units is recorded on acceptance of application of redemption.

### **5.6 Element of income / (loss) and capital gain / (loss) included in prices of units sold less those in units redeemed**

An equalisation account called the "element of income / (loss) included in prices of units sold less those in units redeemed" is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Fund records the net element of accrued income / (loss) relating to units issued and redeemed during an accounting period in the income statement while the portion of the element of income / (loss) that relates to unrealised gains / (losses) relating to available for sale investment securities held by the Fund is recorded in a separate reserve account in the statement of assets and liabilities and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders.

### **5.7 Net asset value per unit**

The net asset value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the period end. Net assets are defined in NBFC Regulation, 2008 clause 66.

### **5.8 Taxation**

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income excluding realised and unrealised capital gain for the year is distributed amongst the unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

**5.9 Revenue recognition**

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

Dividend income is recognised when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, bank deposits, commercial papers, federal government securities and investments in debt securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

**5.10 Financial instruments**

All the financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

**5.11 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are only offset and net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**5.12 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances and term deposits.

**5.13 Impairment**

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

**5.14 Provision**

A provision is recognised in the statement of assets and liabilities when the Fund has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**5.15 Distribution to unit holders**

Distribution to unit holders is recognised upon declaration and approval by the Board of Directors of the management company.

**6. ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

**7. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE**

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation or amendment:

<b>Standard, Interpretation or Amendments</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	01 July 2012
IFRS 7 – Financial Instruments : Disclosures – Amendments enhancing disclosures about transfers of financial assets	01 July 2011
IAS 12 – Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	01 January 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	01 January 2013
IAS 24 – Related Party Disclosures (Revised)	01 January 2011
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

The Fund considers that the above standards, amendments and interpretations, are either not relevant or will not have any material impact on its financial statements in the period of initial application however certain amendments will result in increased disclosure requirements.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

Further the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard</b>	<b>Effective date (accounting periods beginning on or after)</b>
IFRS 9 – Financial Instruments	01 January 2013
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013

	Note	30 June 2011	30 June 2010 (Rupees)
<b>8. BANK BALANCES</b>			
PLS saving accounts	8.1	49,542	34,450,866
Current accounts		5,721	6,568
		<u>55,263</u>	<u>34,457,434</u>

8.1 Profit rates on savings accounts ranged from 4.89% to 12.35% (2010: 4.89% to 12.35%) per annum.

8.2 Subsequent to year end, the Fund received Rs.10 million against the sale of units which catered the liquidity problem which the Fund had at 30 June 2011.

	Note	30 June 2011	30 June 2010 (Rupees)
<b>9. INVESTMENTS</b>			
<b>Designated at fair value through profit or loss upon initial recognition</b>			
Listed term finance certificates and sukus	9.2	13,434,200	111,326,295
Unlisted term finance certificates and sukus	9.3	91,768,289	128,831,257
Government securities	9.4	-	71,864,575
		<u>105,202,489</u>	<u>312,022,127</u>
<b>Held to maturity</b>			
Certificate of investment / Certificate of deposits	9.5	-	-
		<u>105,202,489</u>	<u>312,022,127</u>
9.1 Cost of investments as at 30 June		<u>163,154,873</u>	<u>399,685,801</u>

**9.2 Listed term finance certificates**

All term finance certificates have a face value of Rs. 5,000 each, unless stated otherwise

Name of security	As at 01 July 2010	Purchased during the year	Sold during the year	As at 30 June 2011	Carrying Value as at 30 June 2011	Percentage of total investments on the basis of carrying value	Percentage of investment in relation to net assets of the fund
	-----Number of certificates -----				(Rupees)		
<b>Quoted</b>							
<b>Banks</b>							
United Bank Limited– IV (14-02-08)	-	15,650	15,650	-	-	-	-
Soneri Bank Limited (05-05-05)	-	474	474	-	-	-	-
<b>Miscellaneous</b>							
Pakistan Mobile Communications Limited (28-10-08)	5,500	-	5,500	-	-	-	-
Pace Pakistan Limited (15-02-08)	18,000	-	14,000	4,000	13,434,200	12.77%	11.27%
<b>Total quoted</b>					<u>13,434,200</u>	<u>12.77%</u>	

### 9.3 Un-listed term finance certificates and sukuk

All term finance certificates and sukuk certificates have a face value of Rs. 5,000 each, unless stated otherwise

Name of security	Note	As at 01 July 2010	Purchased during the year	Sold during the year	As at 30 June 2011	Carrying Value as at 30 June 2011	Percentage of total investments on the basis of carrying value	Percentage of investment in relation to net assets of the fund
		-----Number of certificates -----				(Rupees)		
<b>Unquoted</b>								
<b>Connected person:</b>								
<b>Food Producers</b>								
Al Abbas Sugar Mills (Private) Limited (21-11-07)		9,000	-	9,000	-	-	-	-
<b>Others:</b>								
<b>Chemicals</b>								
Engro Fertilizer Limited (18-03-08)		3,000	-	3,000	-	-	-	-
<b>Construction and materials</b>								
Kohat Cement Limited - sukuk Issue (20-12-07)		10,000	-	-	10,000	32,265,469	30.67%	27.08%
Maple Leaf Cement - sukuk Issue (03-12-07)		24,000	-	5,000	19,000	59,502,820	56.56%	49.94%
<b>Household goods</b>								
New Allied Electronics (Private) Limited- term finance certificates (15-05-07)		10,000	-	-	10,000	21,472,757	-	-
New Allied Electronics (Private) Limited- sukuk Issue (27-07-07)		16,000	-	-	16,000	4,721,001	-	-
Provision against New Allied Electronics (Private) Limited- term finance certificates and sukuk Issue	9.3.1					(26,193,758)	-	-
<b>Financial services</b>								
KASB Securities (Private) Limited (27-06-07)		-	2,000	2,000	-	-	-	-
<b>Total unquoted debt securities</b>						<b>91,768,289</b>	<b>87.23%</b>	

**9.3.1** This includes investment aggregating to Rs.26.19 million against which the investee company had not made payments at the contractual dates. The principal due as of the period end has not yet been received. The overdue principal and mark-up receivable against these amounted to Rs.23.97 million and Rs.1.38 million, respectively. As of the balance sheet date, the above term finance certificates / sukuk are classified by MUFAP as non-performing debt securities and accordingly the management is carrying the provision of Rs. 26.19 million against the investment in accordance with the requirements of Circular No.01 dated 06 January 2009, issued by the SECP and the provisioning policy approved by the Board.

**9.3.2** The Fund also holds sukuk certificates issued by Maple Leaf Cement Company Limited having face value of Rs. 4.5 million received in lieu of the coupon defaulted by the investee company on December 03,2009 as part of the restructuring agreement of an earlier sukuk issued by the said company. The sukuk accrues mark-up 3 month KIBOR + 100 basis points per annum and payments on the same are being received regularly. However, the sukuk has not been recorded in the books of the Fund pursuant to a clarification by SECP dated June 01, 2011, which prohibits the accrual of income for a debt security during the period the security is classified as non-performing.

**9.4 Government securities**

Type of instrument	Issue date	Tenor (years)	Face Value	Profit Mark-up Rate %	(Quantity)					Fair Value as at 30 June 2011	Percentage of total investments on the basis of carrying value	Percentage of net assets on the basis of carrying value
					As at 01 July 2010	Purchases during the year	Sales during the year	Maturities during the year	As at 30 June 2011			
PIB	3-Sep-09	10 Years	100	12.00%	-	250,000	250,000	-	-	-	-	-
PIB	30-Aug-08	10 Years	100	12.00%	-	500,000	500,000	-	-	-	-	-
(Rupees)												
-												

**Note 30 June 2011 30 June 2010**  
(Rupees)

**9.5 Held to Maturity**
**Certificate of Investment (COI)**

First Dawood Investment Bank Limited  
Provision for impairment

9.5.1 **35,000,000**  
**(35,000,000)**

35,000,000  
(35,000,000)

- -

**9.5.1** First Dawood Investment Bank Limited (FDIBL) made a default in repayment against COI amounting to Rs. 35 million, on 23 October 2008. The Fund filed a suit for the recovery of its investment. The suit was heard in the Banking Court No.III at Karachi and a decree was issued in favor of the Fund on May 07, 2010. FDIBL has appealed against the decree obtained by the Fund in the High Court of Sindh, Karachi, which is pending adjudication. The Fund's legal counsel on the merits of the case is confident that the Fund will recover its investment from FDIBL. However, on the basis of prudence, the management has made full provision against the said investment.

**9.6 Significant terms and conditions of debt securities held as at 30 June 2011 are as follows:**

Name	Quoted / Unquoted	Markup Rate per annum	Maturity	Secured / Unsecured	Details of Security	Rating	
<b>Construction and materials</b>							
Maple Leaf Cement Factory Limited – sukuk Issue	Unquoted	3 months KIBOR	+ 100 bps	03 December 2018	Secured	Ranking hypothecation charge in respect of all specified present and future fixed assets of the Issuer	Non-investment grade
Kohat Cement Limited - Sukuk	Unquoted	3 months KIBOR	+ 180 bps	13 December 2015	Secured	Hypothecation charge over all future fixed assets of the Company equivalent to the facility amount, along with a 25 percent margin. First ranking mortgage over all specified future immovable properties of the Company with a 25 percent margin	Non-rated
<b>Household Goods</b>							
New Allied Electronic Industries (Private) Limited	Unquoted	3 months KIBOR	+ 275 bps	15 May 2011	Secured	Lien of the Trustee on the collection account, Mortgaged deed over property, hypothecation charge over stocks and receivables with a 25 percent margin	D
New Allied Electronic Industries (Private) Limited - sukuk II (NAEIL)	Unquoted	3 months KIBOR	+ 260 bps	25 July 2012	Secured	Ranking charge over all present and future fixed assets of NAEIL amounting to PKR 300 million	D
<b>Miscellaneous</b>							
Pace Pakistan Limited	Quoted	6 months KIBOR	+ 200 bps	15 February 2017	Secured	Hypothecation charge in respect of all specified present and future fixed assets excluding land and building of the Issuer. Mortgage charge on specified immovable properties of the issuer, along with a margin of 25 percent.	A+

**9.7 Details of non-compliant investments with the investment criteria of assigned category and constitutive documents:**

2011	Name of non-compliant investment	Type of investment	Value of Investment before provision	Provision held if any	Value of investment after provision	% of Net Assets	% of Gross Assets
------	----------------------------------	--------------------	--------------------------------------	-----------------------	-------------------------------------	-----------------	-------------------

------(Rupees)-----

Kohat Cement Limited - Sukuk (13-12-07)	Sukuk	32,265,469	-	32,265,469	27.08%	26.41%
Maple Leaf Cement Factory Limited – sukuk Issue (07/01/08)	Sukuk	59,502,820	-	59,502,820	49.94%	48.70%
Pace Pakistan Limited (15/02/08)	TFC	13,434,200	-	13,434,200	11.27%	10.99%

**10. MARK-UP/ INTEREST RECEIVABLE**

**30 June 2011    30 June 2010**  
**(Rupees)**

On		
- Bank deposits	2,515	-
- Term finance certificates and sukuk certificates	12,656,801	6,643,502
- Government securities	-	2,989,590
	<u>12,659,316</u>	<u>9,633,092</u>

**11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Security deposit with		
- Central Depository Company of Pakistan Limited	200,000	200,000
- National Clearing Company of Pakistan Limited	2,500,000	2,500,000
Advance tax	421,845	421,811
Prepaid rating fee	-	36,870
	<u>3,121,845</u>	<u>3,158,681</u>

**12. PRELIMINARY EXPENSES AND FLOATATION COSTS**

Balance as at 01 July	2,148,338	3,147,240
Amortisation during the year	(998,903)	(998,902)
Balance as at 30 June	<u>1,149,435</u>	<u>2,148,338</u>

**13. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY**

The Management company is entitled to remuneration for services rendered to the Fund under Regulation 61 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 3% of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to 2% of such assets of the Fund. The rate used by the Management company (and the Fund) is 1.5% per annum of the average daily net assets of the Fund as disclosed in the offering document.

**14. REMUNERATION PAYABLE TO THE TRUSTEE**

According to the provision of the Trust deed of the Fund the Trustee is entitled to a monthly remuneration for services rendered as follows:

**On net assets:**

Up to Rs. 250 million to Rs. 500 million	Rs.0.5 million plus 0.15% per annum of the Net Asset exceeding Rs. 250 million
Up to Rs. 500 million to Rs. 1,000 million	Rs.0.875 million plus 0.08% per annum of the Net Asset exceeding Rs. 500 million
Up to Rs. 1,000 million to Rs. 2,000 million	Rs.1.275 million plus 0.08% per annum of the Net Asset exceeding Rs. 2,000 million

Any upward increase in the Trustee's remuneration would require SECP's approval and amendment in the Trust Deed. However, any downward shift in the Trustee's remuneration will not require such an approval.

**15. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay SECP an amount equal to 0.075% of the average daily net assets.

**16. ACCRUED EXPENSES AND OTHER LIABILITIES**

**30 June 2011    30 June 2010**  
**(Rupees)**

Auditors' remuneration	<b>310,000</b>	357,545
Sales load	<b>47,928</b>	47,928
Preliminary expenses and floatation cost	<b>2,000,000</b>	3,000,000
Others	<b>361,155</b>	384,650
	<b><u>2,719,083</u></b>	<b><u>3,790,123</u></b>

**17. CONTINGENCY - PROVISION FOR CONTRIBUTION TO WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it is alleged that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) vide its letter dated 06 October 2010 to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. However, the FBR vide its letter dated 04 January 2011 have cancelled its earlier letter dated 06 October 2010 ab initio and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

On 14 December 2010, the Ministry filed its response to the constitutional petition pending in the court. As per the legal counsel who is handling the case, there is contradiction between the above referred clarification issued by the Ministry and the response filed by the Ministry in the court.

Subsequent to the year end, in August 2011, the Lahore High Court has issued a judgment in response to a petition whereby the amendments introduced in WWF Ordinance through finance Acts, 2006 and 2008 are declared unconstitutional and therefore struck down. The management company, in consultation with MUFAP, is currently considering the implication arising out of the above judgment.

In view of the aforementioned developments during the year, the management company now believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the management company also expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject as referred above will be decided in favour of the mutual funds. The aggregate unrecognised amount of WWF as at 30 June 2011 amounted to Rs. 1.4 million.

**18. NUMBER OF UNITS IN ISSUE**

The units in issue as at 30 June 2011 were as follows:

	30 June 2011		30 June 2010	
	Units	Rupees	Units	Rupees
Class A	12,517,187	119,152,494	33,853,364	356,015,483
Class B	-	-	-	-
Class C	-	-	-	-
Class D	-	-	-	-
Class E	-	-	-	-
	<b>12,517,187</b>	<b>119,152,494</b>	<b>33,853,364</b>	<b>356,015,483</b>

**18.1** The par value of each unit is Rs 10. The management of the Fund has set a minimum investment size of Rs 5,000. All units carry equal rights and are entitled to dividends and share in net asset value on liquidation.

**18.2** On the issuance of these units, front-end / sales load, (if any) is charged at the rate of 1% of Net Asset Value but not greater than 2%.

**18.3** On the redemption of these units, no back-end load is charged.

**19. MARK-UP / INTEREST INCOME**

**30 June 2011    30 June 2010**  
(Rupees)

Return on:

- PLS and term deposit accounts	3,362,562	30,571,630
- Term finance certificates and sukuk certificates	23,866,885	71,932,906
- Certificate of investments / deposits	-	1,662,593
- Government securities	772,670	15,873,762
	<b>28,002,117</b>	<b>120,040,891</b>

**20. LOSS ON INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS – NET**

Gain / (loss) on sale of

- Government securities	(1,274,600)	32,090
- Debt securities		
- Listed	(24,214,218)	(2,810,129)
- Unlisted	(16,788,357)	(19,377,480)
	<b>(41,002,575)</b>	<b>(22,187,609)</b>

Loss on sale of investments – net

**(42,277,175)**      **(22,155,519)**

Provision for impairment against investments classified as fair value through profit or loss

-      (59,898,202)

Reversal of provision for impairment against investments classified as fair value through profit or loss

**62,371,622**      36,225,000

Unrealised (loss) / gain on revaluation of investments at fair value through profit or loss – net

**(35,855,964)**      13,087,900

**(15,761,517)**      **(32,740,821)**

**30 June 2011    30 June 2010**  
(Rupees)

**21. AUDITORS' REMUNERATION**

Annual audit	275,000	275,000
Half yearly review	100,000	100,000
Review of statement of compliance with the Code of Corporate Governance	25,000	25,000
Certification in respect of CDC Regulations	-	40,000
Out of pocket expenses	16,343	96,593
	<b>416,343</b>	<b>536,593</b>

**22. EARNINGS PER UNIT**

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

**23. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS**

Related parties / connected persons include BMA Asset Management Company Limited (the Management Company), BMA Empress Cash Fund, BMA Capital Management Limited (the holding company of the Management Company), MCB Financial Services Limited (the Trustee), Al Abbas Sugar Mills Limited (common directorship) and key management personnel of the Management Company, etc. (refer below for details)

Remuneration payable to the Management company and the trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively. Details of transactions with related parties and balances with them at the year end are as follows:

	For the year ended 30 June 2011		For the year ended 30 June 2010	
	(Units)	(Rupees)	(Units)	(Rupees)
<b><u>Units sold to:</u></b>				
<b>Directors and executives of the Management company</b>				
Mr. Muddassar Malik	1,286	12,080	-	-
Mr. Faisal Huq	58	547	-	-
Mr. Bilal khan	58	547	-	-
Ms. Iffat Zehra Mankani	3,611	33,922	30,233	326,378
<b>Associated Companies</b>				
BMA Asset Management Company	-	-	8,160,836	85,000,000
BMA Capital Management Limited	-	-	16,914,648	126,409,737
BMA Financial Services Limited	-	-	9,599,618	98,867,425
<b>Unit holders with holding of 10% and above:</b>				
Trustees Adamjee Foundation	385,449	3,620,442	-	-
MCB Bank Limited Staff Provident Fund	470,191	4,416,407	-	-
Wellcome Pakistan Limited Provident Fund	555,787	5,220,396	-	-
<b><u>Units redeemed by:</u></b>				
<b>Directors and executives of the Management company</b>				
Mr. Muddassar Malik	12,053	110,261	-	-
Mr. Faisal Huq	546	5,088	-	-
Mr. Bilal khan	-	-	-	-
Ms. Iffat Zehra Mankani	-	-	30,077	326,378
<b>Associated Companies</b>				
BMA Capital Management Limited	-	-	22,060,673	228,479,029
BMA Asset Management Limited	-	-	19,841,685	201,724,047
BMA Financial Services Limited	-	-	9,599,618	98,886,624
BMA Capital Management Limited - Staff Provident Fund	-	-	1,575,200	16,638,510
<b>Unit holders with holding of 10% and above:</b>				
Trustees Adamjee Foundation	3,612,224	33,945,878	-	-
MCB Bank Limited Staff Provident Fund	-	-	1,490,284	15,000,000
Wellcome Pakistan Limited Provident Fund	5,208,547	40,998,420	-	-
<b><u>Transactions with related parties</u></b>				
			30 June 2011	30 June 2010
			----- (Rupees) -----	
<b>Al Abbas Sugar Mills Limited</b>				
- Income received on term finance certificate			994,069	5,536,409
- Investments sold			29,819,060	-
<b>BMA Asset Management Company</b>				
- Remuneration to Management company			2,862,221	13,847,431
- Sales load			-	274,200
<b>Trustee</b>				
- Remuneration of the trustee			464,007	1,199,943

	30 June 2011 (Units)	(Rupees)	30 June 2010 (Units)	(Rupees)
<b><u>Units Held by:</u></b>				
<b>Directors and executives of the Management company</b>				
Mr. Muddassar Malik	-	-	10,766	113,224
Mr. Faisal Huq	-	-	488	5,131
Mr. Bilal Khan	546	4,878	488	5,131
Ms. Iffat Zehra Mankani	33,845	302,316	30,233	317,880
<b><u>Unit holders with holding of 10% and above:</u></b>				
Trustees Adamjee Foundation	-	-	3,226,776	33,934,060
MCB Bank Limited Staff Provident Fund	4,406,382	39,359,525	3,936,191	41,394,558
Wellcome Pakistan Limited Provident Fund	-	-	4,652,760	48,930,278
<b>Investment in related party</b>				
- Al Abbas Sugar Mills Limited (TFC certificates)	-	-	9,000	30,489,374
			<b>30 June 2011</b>	<b>30 June 2010</b>
			----- <b>(Rupees)</b> -----	
<b>Balances with related parties:</b>				
<b>BMA Asset Management Company</b>				
- Remuneration payable to the Management company			<b>139,840</b>	452,963
- Formation cost payable			<b>2,000,000</b>	3,000,000
<b>Trustee</b>				
- Remuneration payable to the trustee			<b>33,973</b>	55,571

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1 The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management company, the Fund's constitutive documents and the regulations and directives of the SECP.

Financial risk in the Fund is the possibility that the outcome of an action or event could bring up adverse impacts. Such outcomes could either result in a direct loss of earnings/net assets or may result in imposition of constraints on the Fund's ability to meet its business objectives. Such constraints pose a risk as these could hinder the Fund's ability to conduct its ongoing business or to take benefit of opportunities to enhance its business.

These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk (which includes interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Regardless of the sophistication of measures, the Fund often distinguishes between expected and unexpected losses. Expected losses are those that the Management knows with reasonable certainty will occur (e.g. the expected decline in prices) and are typically reserved for in some manner. Unexpected losses are those associated with unforeseen events.

Risk management activities broadly take place simultaneously at following different hierarchy levels:

- a) Strategic Level: It encompasses risk management functions performed by senior management and BOD. It is concerned with the overall risk management of the organization starts with identifying of risk, planning to mitigate them, implementation of strategies and monitoring.
- b) Macro Level: It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category.
- c) Micro Level: It involves 'On-the-line' risk management where risks are actually created. This is the risk management activities performed by individuals who take risk on organization's behalf such as front office and transactions origination functions.

Risk management starts at the highest management level. Its responsibility rests with the board of directors. Senior management makes sure that the policies of risk management are ingrained in the organization's culture.

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

Concentrations of risk may arise if the Fund has a significant exposure in a single industry, or aggregate exposure in several industries that tend to move together. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Fund Manager is instructed to reduce exposure to manage excessive risk concentrations when they arise.

## 24.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, debt security prices and foreign exchange rates.

### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Fund has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The Fund while dealing in financial instruments negotiates attractive interest rates, which reduces the interest rate price risk.

The Fund's interest rate exposure on financial instruments is disclosed as follows,

	30 June 2011	30 June 2010
	Rupees	
<b>Fixed rate instruments</b>		
Government Securities	-	71,864,575
<b>Variable rate instruments</b>		
Term Finance Certificates and Sukuks	105,202,489	240,157,552
Bank Balances	49,542	34,450,866

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Fund's income.

	Increase / (decrease) in basis points	Sensitivity of interest income Increase/(decrease) ----- (Rupees) -----	Sensitivity of changes in fair value of investments Increase/(decrease)
<b>2011</b>	<b>100</b> <b>(100)</b>	<b>1,421,993</b> <b>(1,421,993)</b>	<b>1,052,024</b> <b>(1,052,024)</b>
<b>2010</b>	100 (100)	8,020,227 (8,020,227)	(5,978,894) 5,978,894

### (ii) Price risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Fund is exposed to changes in the fair values of investments as a result of changes in MUFAP Prices and PKRV rates.

**(iii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

The Management company manages the above market risks through diversification of investment portfolio and placing limits on individual and aggregate exposures in accordance with the internal risk management policies.

**24.3 Liquidity risk**

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. 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 redeemable units on a regular basis. Units are redeemable at the unit 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 documents.

In order to manage the Fund's overall liquidity, the Fund has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such request would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemption during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

<b>30 June 2011</b>	<b>Not later than one month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	----- Rupees -----					
<b>Financial assets</b>						
Bank balances	55,263	-	-	-	-	55,263
Investments	-	-	-	-	105,202,489	105,202,489
Mark-up / interest receivable	2,515	1,979,767	-	10,677,034	-	12,659,316
Security deposits	-	-	-	-	2,700,000	2,700,000
Sub-total	57,778	1,979,767	-	10,677,034	107,902,489	120,617,068
<b>Financial liabilities</b>						
Remuneration payable to the Management Company	139,840	-	-	-	-	139,840
Remuneration payable to the Trustee	33,973	-	-	-	-	33,973
Annual fee payable to the SECP	142,958	-	-	-	-	142,958
Payable against redemption of units	-	-	-	-	-	-
Accrued and other liabilities	1,719,083	-	-	1,000,000	-	2,719,083
Sub-total	2,035,854	-	-	1,000,000	-	3,035,854
<b>Liquidity gap</b>	(1,978,076)	1,979,767	-	9,677,034	107,902,489	117,581,214
<b>30 June 2010</b>	<b>Not later than one month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	----- Rupees -----					
<b>Financial assets</b>						
Bank balances	34,457,434	-	-	-	-	34,457,434
Investments	-	-	23,787,450	118,028,219	170,206,457	312,022,127
Mark-up / interest receivable	-	7,776,807	1,856,284	-	-	9,633,092
Security deposits	-	-	-	-	2,700,000	2,700,000
Sub-total	34,457,434	7,776,807	25,643,734	118,028,219	172,906,457	358,812,653
<b>Financial liabilities</b>						
Remuneration payable to the Management Company	452,963	-	-	-	-	452,963
Remuneration payable to the Trustee	55,571	-	-	-	-	55,571
Annual fee payable to the SECP	692,371	-	-	-	-	692,371
Payable against redemption of units	413,161	-	-	-	-	413,161
Accrued and other liabilities	1,790,123	-	-	2,000,000	-	3,790,123
Sub-total	3,404,189	-	-	2,000,000	-	5,404,189
<b>Liquidity gap</b>	31,053,245	7,776,807	25,643,734	116,028,219	172,906,457	353,408,464

**24.4 Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's credit risk is primarily attributable to its investment in term finance certificates, certificates of investment, term deposits and balances with banks. The credit risk on liquid fund is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies, offering document and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by an approved rating agency. Due to defaults made by the issuers of TFCs the rating of the instrument have down graded from the investment grade, the Fund has not liquidated its investments as the management expects the counterparties will recover their rating. The table below analyses the Fund's maximum exposure to credit risk:

	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>(Rupees)</b>	
Investment in debt securities	<b>105,202,489</b>	240,157,552
Cash and cash equivalents	<b>55,263</b>	34,457,434
Mark-up / interest receivable	<b>12,659,316</b>	9,633,092

The analysis below summaries the credit quality of the Fund's debt portfolio:

**Debt securities/ entity rating by category**

	<b>30 June 2011</b>	<b>30 June 2010</b>
AAA	-	23.03%
AA- to AA+	-	4.50%
A- to A+	<b>12.77%</b>	45.45%
Non Investment grade	<b>87.23%</b>	27.02%
<b>Total</b>	<b>100.00%</b>	100.00%

The analysis below summarizes the credit quality of the Fund's portfolio in deposits/ placement with banks:

**Rating by category**

	<b>30 June 2011</b>	<b>30 June 2010</b>
AAA	5.06%	-
AA- to AA+	2.65%	1.61%
A- to A+	92.29%	98.35%
BBB to BBB+	-	0.04%
<b>Total</b>	<b>100.00%</b>	100.00%

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 policy is to maintain a diversified portfolio of financial assets and to enter into transactions with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the Fund's concentration of credit risk by industrial distribution;

<b>Sector</b>	<b>Exposure on the basis of net investment</b>			
	<b>As at 30 June 2011</b>		<b>As at 30 June 2010</b>	
	<b>Rupees</b>	<b>%</b>	<b>Rupees</b>	<b>%</b>
Chemicals	-	-	14,053,965	6
Construction and materials	<b>91,768,289</b>	<b>87</b>	84,287,918	35
Food producers	-	-	30,489,374	13
Miscellaneous	<b>13,434,200</b>	<b>13</b>	111,326,295	46
	<b>105,202,489</b>	<b>100</b>	240,157,552	100

**24.5 Capital management**

The Fund's objective when managing unit holder's funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions. The capital structure depends on the issuance and redemption of units.

**25. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Level 1 : quoted prices in active markets for identical assets or liabilities.
- Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	30 June 2011			30 June 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- Rupees -----					
Designated at fair value through profit or loss upon initial recognition						
- term finance certificates and sukus	-	105,202,489	-	-	227,734,209	84,287,918
	-	105,202,489	-	-	227,734,209	84,287,918

The table below shows the reconciliation of all movements in the fair value of all financial instruments categorized within Level 3 between the beginning and end of the year.

2011	Designated at fair value through profit or loss upon initial recognition	Total
	----- (Rupees) -----	
Opening Balance	84,287,918	84,287,918
Transfers out from level 3 to level 2	(36,225,000)	(36,225,000)
Transfers in	-	-
Purchases	-	-
Sales/Redemption	-	-
Unrealized Gain/Loss	-	-
Reversal of Provision for Impairment	(48,062,918)	(48,062,918)
Provision for Impairment	-	-
Closing Balance	-	-
	Designated at fair value through profit or loss upon initial recognition	Total
	----- (Rupees) -----	
2010		
Opening Balance	-	-
Transfers out	-	-
Transfers in	48,062,918	48,062,918
Purchases	-	-
Sales/Redemption	-	-
Unrealized Gain/Loss	-	-
Reversal of Provision for Impairment	36,225,000	36,225,000
Provision for Impairment	-	-
Closing Balance	84,287,918	84,287,918

**26. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by The Board of Directors of the Management company on October 25, 2011

**27. SUPPLEMENTARY NON FINANCIAL INFORMATION**

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management company and rating of the Fund and the Management company has been disclosed in Annexure I to the financial statements.

**28. GENERAL**

**28.1** Figures have been rounded off to nearest rupee.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive Officer**

**Tashfin I. Huq  
Director**

**SUPPLEMENTARY NON FINANCIAL INFORMATION  
 AS REQUIRED UNDER SECTION 6(D), (F), (G), (I) AND (J)  
 OF THE FIFTH SCHEDULE TO THE NBFC REGULATIONS**

**(i) UNIT HOLDING PATTERN OF THE FUND**

Category	Number of unit holders	30 June 2011		
		Number of units held	Amount (Rupees)	% of Total
Individuals	146	6,398,783	60,910,727	51.12%
Retirement funds	2	5,156,245	49,082,869	41.19%
Others	2	962,159	9,158,898	7.69%
	<u>150</u>	<u>12,517,187</u>	<u>119,152,494</u>	

Category	Number of unit holders	30 June 2010		
		Number of units held	Amount (Rupees)	% of Total
Individuals	216	15,541,787	163,443,629	45.91%
Associated companies / directors	4	41,976	441,432	0.12%
Retirement funds	7	13,609,574	143,123,710	40.20%
Others	6	4,660,027	49,006,712	13.77%
	<u>233</u>	<u>33,853,364</u>	<u>356,015,483</u>	

**(ii) DETAILS OF UNIT HOLDERS/INVESTORS HOLDING 5% OR MORE**

Name	Number of units held	30 June 2011	
		Amount (Rupees)	% of Total
MCB Bank Limited Staff Provident Fund	4,406,382	39,359,525	35.20%
Alcon Scientific Services Staff Provident Fund	749,863	6,698,068	5.99%

Name	Number of units held	30 June 2010	
		Amount (Rupees)	% of Total
Wellcome Pakistan Limited Provident Fund	4,652,760	48,930,278	13.74%
MCB Bank Limited Staff Provident Fund	3,936,191	41,394,558	11.63%
Trustees Adamjee Foundation	3,226,776	33,934,060	9.53%
Mrs Zareen Gulgee	2,317,755	24,374,439	6.85%
Glaxo Laboratories Pakistan Limited Local Staff Provident Fund	1,745,919	18,360,777	5.16%

**(iii) LIST OF TOP FIVE BROKERS BY PERCENT OF THE COMMISSION PAID**

S.No.	Name	Percentage of commission paid	
		30 June 2011	30 June 2010
1	JS Global Capital Limited	25.89%	19.24%
2	KASB Securities	74.11%	45.68%
3	First Capital Equities Limited	-	2.89%
4	Global Securities Pakistan Limited	-	28.07%
5	ICON Securities (Private) Limited	-	2.27%
6	Invest Capital Investment Bank Limited	-	1.85%
		100.00%	100%

During the year the Fund has carried out transactions only through above brokers.

**(iv) THE MEMBERS OF THE INVESTMENT COMMITTEE**

Name	Designation	Qualification	Experience
Mr. Muddassar Malik	Chairman of Investment Committee / CEO	MBA, Finance & Corporate Strategy	19 Years
Ms. Iffat Z. Mankani	Chief Investment Officer	MBA, Finance	11 Years
Mr. Mustafa Pasha	Fund Manager	BA, Economics	4 Years

**(v) MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Following are the names of directors who attended the meetings of the board of directors during the year along with the dates of the meetings.

Name of Director	Meeting held on				
	7 July 2010	7 September 2010	25 October 2010	3 February 2011	27 April 2011
Mr. Omar Syed	√	-	√	√	√
Mr. Waqar Hassan Siddiqui	-	√	-	√	√
Mr. Abdullah Shahin	-	√	-	-	√
Mr. Thomas James Speechley	√	-	√	√	-
Mr. Tashfin I Huq	√	√	√	√	√
Mr. Zahid Noorani	√	√	√	√	√
Mr. Mohammed Iqbal	√	√	√	√	-
Mr. Mudassar Malik	√	√	√	√	√

**(vi) RATING OF THE FUND AND MANAGEMENT COMPANY**

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned a 'BB+ (f)' fund stability rating to the Fund.

JCR-VIS has assigned an 'AM2-'management quality rating to the Management Company.

**For BMA Asset Management Company  
Limited  
(Management Company)**

**Muddasar Malik  
Chief Executive Officer**

**Tashfin I. Huq  
Director**

**PATTERN OF UNIT HOLDING AS PER REQUIREMENTS OF CODE OF  
CORPORATE GOVERNANCE  
AS AT 30 JUNE 2011**

<b>PARTICULARS</b>	<b>UNIT HOLDING</b>
<b>INDIVIDUALS</b>	6,363,846
<b>MANAGEMENT COMPANY</b>	
BMA Asset Management Company Ltd	-
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>	
BMA Capital Management Limited	-
BMA Capital Management Limited Staff Provident Fund	-
<b>NIT AND ICP</b>	-
<b>CHIEF EXECUTIVE</b>	
Mr. Muddassar Malik	-
<b>DIRECTORS</b>	
Mr. Zahid Qasim Noorani	-
Mr. Tashfin I. Huq	-
Mr. Muhammad Iqbal	-
Mr. Omer Syed	-
Mr. Thomas James Speechly	-
Mr. Abdullah Shahin	-
Mr. Waqar Hassan Siddique	-
<b>EXECUTIVES</b>	34,937
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	-
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>	749,863
<b>SHAREHOLDING 10% OR MORE VOTING INTEREST</b>	-
MCB Bank Limited Staff Provident Fund	4,406,382
<b>OTHERS</b>	962,159
	12,517,187