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

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

**Board of Directors of the Management Company**

Mr. Muhammad Iqbal	Chairman
Mr. Muddassar Malik	Chief Executive
Mr. Tashfin I. Huq	Director
Mr. Zahid Qasim Noorani	Director

**Audit Committee of the Management Company**

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

**Human Resource and Remuneration Committee**

Mr. Tashfin I. Huq	Chairman
Mr. Muhammad Iqbal	Member
Mr. Muddassar Malik	Member

**CFO and Company Secretary of the Management Company**

Mr. Faisal Ali Khan

**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  
Bank Al-Habib Limited  
Faysal Bank Limited  
MCB Bank Limited  
Bank Alfalah Limited  
Habib Bank Limited  
Allied Bank Limited  
Askari Bank Limited  
NIB Bank Limited

**Distributors**

BMA Financial Services Limited  
Topline Securities Limited  
Elixir Securities (Pvt) Limited  
Pyramid Financial Consultants (Pvt) Limited

**Auditors**

A.F.Ferguson & CO., Chartered Accountants  
State Life Building No. 1-C, I.I.Chundrigar 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

**Fund Stability Rating**

AA+ (f)

**Management Quality Rating**

AM3+

**MISSION STATEMENT**

*The BMA Empress Cash Fund aims to minimize risk, maximize liquidity and generate a competitive rate of return with Portfolio allocation concentrated in AA rated banks and short duration sovereign rated securities, which will enable the fund to earn consistent risk adjusted returns and beat its benchmark (three month deposit rate offered by AA rated banks) while maintaining adequate liquidity and supreme credit quality.*

**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 Empress Cash Fund (BECF) is pleased to present its report and financial statements of the Fund for the year ended June 30, 2013.

**PROFILE**

The BMA Empress Cash Fund is a professionally managed cash fund, which aims to minimize risk, maximize liquidity and generate a competitive rate of return. Portfolio allocation will be concentrated in AA rated banks and short duration sovereign rated securities, which will enable the fund to earn consistent risk adjusted returns. The Fund was launched on 12 November 2009 and aims to consistently beat its benchmark (3M deposit rate offered by AA rated banks) while maintaining adequate liquidity and superior credit quality.

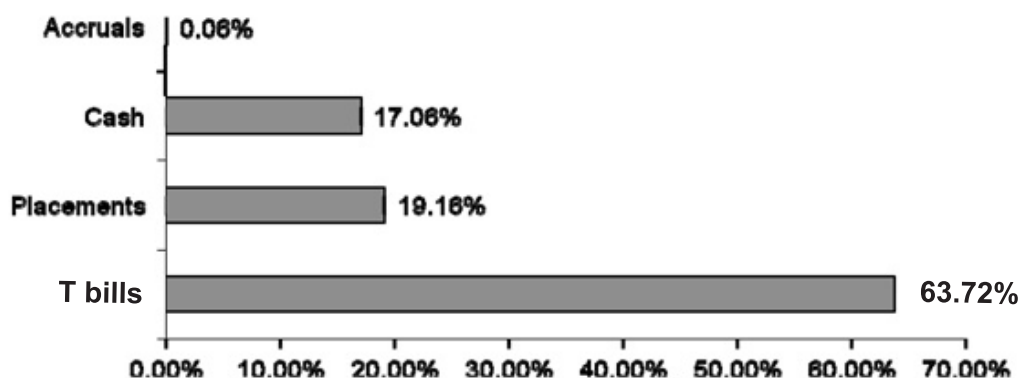
**FUND'S FINANCIAL PERFORMANCE**

During the year the fund earned Rs. 77.36 mn from income on investments, bank balances and term deposits. In addition the fund booked an element of income from the issue and redemption of units which totaled Rs. -3.09 mn. Thus Total income came to Rs. 74.93 mn.

Expenses incurred came to Rs. 10.25 mn for the year. Expenses included the remuneration to the trustee of the fund, the fee to the SECP and the remuneration to the management company of Rs. 1.32 mn, Rs. 0.58 mn and Rs. 5.75 mn, respectively. As a result net income for the year was Rs. 64.68 mn.

<b>Financial highlights</b>	<b>June 30, 2013</b>
	<b>Rupees</b>
Mark up/interest income	<b>77,361,586</b>
Capital gains	676,160
Element of income	(3,099,695)
<b>Total Income</b>	<b>74,938,051</b>
Expenses	10,252,847
<b>Net Income</b>	<b>64,685,204</b>
Net Asset Value per unit (Rupees)	10.09

As of 30<sup>th</sup> June the net assets of the Fund were Rs. 678.5 mn, of which 63.72% was allocated to sovereign rated Treasury Bills, 19.16% was invested in money market placements (AA/AA+ rated financial institutions) and 17.06% was held as cash. The portfolio duration as of 30 June was 20 days, which is in line with the Fund's investment strategy to gauge the interest rate volatility prevailing in the market.



**Return & Fund Update**

During FY13 the Fund generated a net return of 9.1% for investors. This was against the benchmark average of 6.9% during the year. The Fund continued to declare dividends regularly and announced a cumulative distribution of Rs. 0.86 per unit for FY13. For the year under review, the fund has out-performed its benchmark by 2.2% by earning an annualized return of 9.1%.

**Macroeconomic Outlook**

FY13 proved to be an unprecedented year in terms of control over inflation. Pakistan experienced a cycle of monetary easing along with inflation staying under double digits in every period. The yearly CPI average for FY13 was 7.4%, consisting of food inflation and non-food inflation of 7.4% and 7.1%, respectively. This was a much needed ease on price levels as FY12 CPI figures were 11.0% YoY. Moving forward, however power and gas tariff hikes along with Rupee weakness are likely to increase inflationary pressures. Added to this, tax hikes, particularly in the GST, will result in FY14 inflation target of 10.4% by the 30 June, 2014.

With discount rates in single digits for the first time in more than 5 years at 9.0%, the SBP took the economic stance of fueling investment led growth and to provide sufficient return on Rupee denominated assets. In FY13, GDP growth was 3.6% YoY, compared to 4.4% in FY12. As at 30 June, 2013, FX Reserves were to USD 10.4 billion, down 4.2% from 30 June, 2012. Net inflows of foreign private investment showed a healthy jump with foreign portfolio investments rounding up to USD 119.5 mn and foreign direct investment rising by a massive 76.3% in FY13 to 1.4 billion. Home remittances increased by 5.6% YoY to USD 13,921.6 mn during FY13. The current account deficit for the year decreased to USD 2.3 billion in FY 13. This can be explained by exports growing by 0.2% YoY and imports decreasing by 1.6%, reducing the current account deficit in FY13 by approximately 50%.

The Pakistani Rupee depreciated by 5.8% during FY13, which has reduced the relative return of PKR denominated assets and triggered speculative buying of the USD. Though, weakness in the country's external account, with import cover of 3-months, was the primary reason, a shift in global economic trend has also played its role. The impact on the currency market will be a key consideration for the central bank the greenback gained against all the major Asian currencies. Re-entry into the IMF program has led to power reforms, thereby raising inflationary expectations. The federal budget also indicated a cut in the subsidies and tax hikes that will affect all sectors of the economy. In the recent Monetary Policy announcement dated September 13, 2013, the SBP announced a 50 basis point hike. Given expectations for a higher inflation rate, movement in the policy rate is expected to be a total of 100 bps by 30 June, 2014.

**Strategy**

In light of the above macroeconomic scenario, BECF's strategy is likely to focus on:

- Shorter tenure instruments
- Allocate 80% of the portfolio to AAA rated securities including government securities.

As we believe that the monetary easing cycle has come to its end and the government would choose to increase interest rates in FY14. This is due to the government's budgetary and structural reforms that will be implemented in the current year, which will evolve into higher inflation and squeeze in the real rate of return. We will divert our focus towards shorter tenure instruments to avoid the interest rate risk. We will also avail prevailing trading opportunities to maximize fund returns.

**Corporate and Financial Reporting Framework**

The Fund being listed on the Karachi Stock Exchange, the Management Company is committed to observe the Code of Corporate Governance prescribed for listed companies.

The Board of Directors of the Management Company state that:

1. The financial statements, prepared by the Management Company, present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holders' fund.
2. Proper books of accounts of the Fund have been maintained during the year.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, Non-Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations, 2008), requirements of the trust deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statements and any departures there from has been disclosed and explained.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in listing regulations.
8. Key financial data, in summarized form, is included in this Annual Report.
9. The statement as to the value of investment in provident fund is not applicable in the case of the fund as such expenses are borne by the Management Company.
10. The number of board meetings held during the year and attendance by each director is disclosed.
11. The detailed pattern of unit holding, as required by the Code of Corporate Governance is enclosed.

**Appointment of Auditors**

The Board of Directors of BMA Asset Management Company Limited (the Management Company) have reappointed A.F.Ferguson & Co. Chartered Accountants, as the Fund's auditor for the year 2013-14 as recommended by the Audit Committee.

**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  
September 30, 2013**

**Muddassar Malik  
Chief Executive**

## REPORT OF THE FUND MANAGER

June-13

NAV

10.0883

Fund Returns	BECF	BM
Annualized Return (Jun13)	8.52%	6.92%
Annualized Return (FY13TD)	9.14%	6.95%
Annualized Return (CY13)	8.02%	6.90%

Portfolio Characteristics	
Net Assets in PKR MLN (30.06.13)	678.02
NAV/unit in PKR (30.06.13)	10.0883
Portfolio Duration	20
Portfolio Standard Deviation	0.03%

Asset Allocation	Jun	May
Cash	11.44%	10.94%
Placements	19.17%	16.36%
T Bills	68.63%	72.20%
Accruals	0.76%	0.51%
Leverage	None	None

### Fund Details

Fund Type	Open End
Category	Money Market Fund
Benchmark*	3M Bank Rate
Inception Date	12-Nov-09
Dealing Days	Monday – Friday
Cut-off time	4:00 PM
Pricing Mechanism	Forward
Management Fee	0.75%
Front end Load	Upto 1%
Back end Load	Nil
Fund Stability Rating	AA+(F) (JCR)
Risk Profile	Low Risk
Listing	KSE
Trustee	MCBFSL
Auditor	A. F. Fergusons & Co.
Transfer Agent	Technology Trade
Legal Advisors	KMS Law Associates

### Investment Committee

Muddassar M. Malik	Chief Executive Officer
Farrukh Hussain	Chief Investment Officer
Syed Qamar Abbas	Fund Manager

☎	0800 00262
✉	SMS your name and email to 2620
@	info@bmafunds.com
🌐	www.bmafunds.com

### Fund Objective

The BMA Empress Cash Fund is a professionally managed cash fund, which aims to minimize risk, maximize liquidity and generate a competitive rate of return. This will be achieved by concentrating portfolio allocation in AA rated banks and short duration sovereign rated securities.

### Fund Commentary

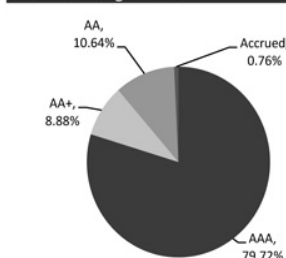
The Fund earned an annualized return of 7.95% during May'13 versus the benchmark return of 7.07%, thus registering an out-performance of 0.88%. Since the start of current fiscal year the fund has out-performed its benchmark by 2.18% p.a. by earning an annualized return of 9.13%. This out-performance is net of management fee and all other expenses. During May'13 the fund declared a dividend of Rs. 0.07/unit, bringing FY13TD payout to Rs. 0.77/unit. AUMs stood at Rs. 794 mn. Standard deviation of returns was 0.02%, reflecting the stable nature of the fund's income. During the month we have slightly rebalanced our portfolio and reduced investments in T-bills to deploy these funds in shorter tenure high yield instruments.

### Market Outlook

In May, the money market has taken a slight downward drift in yield on the back of major developments on the political front, expectation of soft CPI numbers, hope for ease in liquidity situation and stability on the external front (assistance from Saudi Arabia, CSF and Etisalat inflows). Based on the above mentioned factors as well as recent bidding pattern of T-bills and PIBs where considerable participation has been witnessed in longer tenors translating into a decline in secondary market yields of these instruments. However, due to tight liquidity position yield of short-term papers have increased slightly.

May'13, CPI was recorded at 5.13% YoY, bringing the 11M FY13 CPI average to 7.5%, considerably lower YoY. Inflation in May'13 is largely in line with consensus expectation. At the same time, core inflation which is a significant barometer to track the SBP's inflation perspective, softened to 6.7% YoY in May'13 compared to 7.6% YoY in Apr'13, thereby bringing its 11MFY13 average to 9.2% YoY. We believe the SBP will cut the discount rate by 50 bps on the back of a delay in entry into an IMF program, low inflation in near term and positive real interest rate.

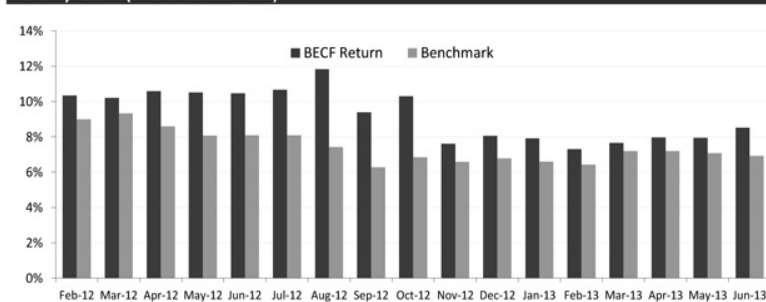
### Portfolio Ratings Profile



### Monthly Return (on annualized basis)

Month	Return	Benchmark
June-13	8.52%	6.92%
May-13	7.95%	7.07%
April-13	7.96%	7.20%
March-13	7.66%	7.20%
February-13	7.31%	6.43%
January-13	7.92%	6.60%
December-12	8.06%	6.78%
November-12	7.61%	6.58%
October-12	10.30%	6.85%
September-12	9.40%	6.27%
August-12	11.84%	7.43%
July-12	10.67%	8.09%

### Monthly return (on annualized basis)



### MUFAP Recommended Format

Disclosure: The Fund has not made provisions amounting to Rs. 5,828,270 against Workers' Welfare Fund liability, if the same were made on 30 June 2013 the NAV per unit/FY13TD return of the Fund would be lower by Rs. 0.087/8.64%. For details please read note 14 of the latest financial statements.

Disclaimer: This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any Fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependant on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Net Assets	678,474,947	785,550,293	675,992,149	840,875,409
Net asset value per unit	10.09	10.06	10.55	10.65
Distributions per unit	0.86	1.09	1.10	0.60
Selling price for units	10.19	10.16	10.66	10.76
Repurchase price for units	10.09	10.06	10.55	10.65
Highest Offer price per unit	10.34	10.51	10.71	10.76
Lowest Offer price per unit	10.16	10.16	10.15	10.00
Highest Redemption price unit	10.24	10.41	10.60	10.65
Lowest Redemption price unit	10.06	10.06	10.05	10.00
Annual return (%)	9.14	11.32	11.37	10.41
Weighted average portfolio duration	20 days	28 days	70 days	80 days

\* The Fund was launched on November 12, 2009.

**Disclaimer**

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





## **MCB FINANCIAL SERVICES LIMITED**

### **REPORT OF THE TRUSTEE TO THE UNIT HOLDERS**

#### **BMA EMPRESS CASH FUND**

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

BMA Empress Cash Fund, an open-end Scheme established under a Trust Deed dated June 18, 2009 executed between BMA Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund offered its units for public subscription Scheme from November 10, 2009 to November 11, 2009.

1. BMA Asset Management Company Limited, the Management Company of BMA Empress Cash Fund, has in all material respects, managed BMA Empress Cash Fund during the year ended June 30, 2013 in accordance with the provisions of the following:
  - (i) Investment 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 audit report and note 12 to the financial statements which refer to an uncertainty relating to the future outcome of the litigation regarding contribution to the Worker's Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

Further, the attention of unit holders is also drawn towards note 5.31.1 to the financial statements which states that as per NBFC regulation clause 55(5), exposure to any debt issue of a company should not exceed ten percent of that issue and ten percent of Net Assets of the Fund, in total. As at June 30, 2013 investments in certificate of investments with Pak Brunei Investment Company Limited is 10.32% which is in excess of the prescribed limit.

A handwritten signature in black ink, appearing to read 'Anwar'.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: September 20, 2013

**Statement of Compliance with the Code of Corporate Governance**

This statement is being presented by the Board of Directors of BMA Asset Management Company Limited, the Management Company of BMA Empress Cash 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 on its Board of Directors. At present, the Board includes;

Category	Names
Independent/Non-Executive Directors	Muhammad Iqbal
	Tashfin I Huq
	Zahid Qasim Noorani
Executive Director	Muddassar Mazhar Malik

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Four casual vacancies occurred on the Board on May 16, 2013. None of the said vacancy has been filled to date while efforts are being made to fill the same.
5. The Management Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy 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. No training programs were arranged during the year.
10. The Board has approved the appointment of CFO and Company Secretary while the internal audit function has been outsourced to a professional firm and a full time employee has been designated to act as coordinator between the firm and the Board. The remuneration and terms and conditions of the same have been approved by the board.

11. The Directors' Report of the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Chief Executive Officer and CFO duly endorsed the financial statements of the Fund before approval of the Board.
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.
14. The Management Company has complied with all the significant corporate and financial reporting requirements of the Code relevant to the Fund.
15. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results of the Fund as required by the Code. The Terms of Reference of the Committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee comprising of three members, two of whom are non-executive members and the chairman of the committee is an independent director.
18. The Management Company has outsourced the internal audit function to M/s M. 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 have 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 units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
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. The closed period prior to the announcement of interim/final results which may materially affect the market price of the Fund's units, was determined and intimated to stock exchange, directors and employees.
22. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the  
Board of Directors

Muddassar Malik  
Chief Executive Officer

Karachi: September 30, 2013



*A. F. FERGUSON & CO.*

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

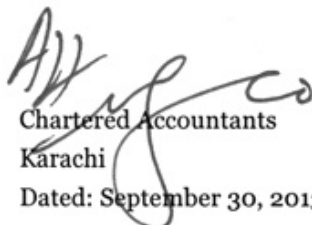
As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Sub-Regulation (x) of Listing Regulations No. 35 as notified by the Karachi Stock Exchange (Guarantee) Limited on which the Fund is listed 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 the above requirements 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 procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2013.

We draw attention to the following matters which are highlighted in paragraphs 4 and 9 of the annexed statement:

- Four casual vacancies occurring on the Board during the year ended June 30, 2013 have not been filled within the time frame of 90 days, as required under clause (iii) of the Code.
- The Management Company did not arrange any training programs for its directors during the year, as required under clause (xi) of the Code.

  
Chartered Accountants  
Karachi  
Dated: September 30, 2013



**A. F. FERGUSON & CO.**

**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS**

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of **BMA Empress Cash Fund (hereinafter referred to as "the Fund")**, which comprise the statement of assets and liabilities as at June 30, 2013, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

**MANAGEMENT COMPANY'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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of the Fund as at June 30, 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

**EMPHASIS OF MATTER**

We draw attention to note 12 to the financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers' Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

**OTHER MATTER**

The financial statements of the Fund for the year ended June 30, 2012 were audited by another firm of Chartered Accountants who vide their report dated September 13, 2012 issued an unqualified opinion thereon.

  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**

Dated: October 10, 2013

Karachi

**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2013**

	Note	2013	2012
		Rupees	
<b>ASSETS</b>			
Bank balances	4	115,743,603	46,290,603
Investments	5	562,324,276	740,018,014
Profit receivable	6	2,650,077	2,441,399
Preliminary expenses and floatation costs	7	824,633	1,429,033
Security deposit		100,000	-
Prepayments and other receivables		63,566	52,544
<b>Total assets</b>		<b>681,706,155</b>	<b>790,231,593</b>
<b>LIABILITIES</b>			
Payable to the Management Company	8	2,014,320	2,615,866
Fee payable to MCB Financial Services Limited - Trustee	9	106,933	112,180
Payable to the Securities and Exchange Commission of Pakistan	10	575,308	535,650
Dividend payable		20,100	867,862
Accrued expenses and other liabilities	11	514,547	549,742
<b>Total liabilities</b>		<b>3,231,208</b>	<b>4,681,300</b>
<b>NET ASSETS</b>		<b>678,474,947</b>	<b>785,550,293</b>
<b>UNIT HOLDER'S FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>678,474,947</b>	<b>785,550,293</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
		----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	14	<b>67,253,582</b>	<b>78,080,867</b>
<b>NET ASSET VALUE PER UNIT</b>	3.8	<b>10.09</b>	<b>10.06</b>

The annexed notes 1 to 26 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 JUNE 30, 2013

	Note	2013	2012
		Rupees	
<b>INCOME</b>			
Income from investment in government securities		58,706,985	66,420,422
Income from term deposit receipts		2,232,987	5,728,768
Income from letters of placement		2,434,890	701,133
Income from certificates of investment		7,596,341	13,258,550
Profit on bank deposits		6,390,383	3,520,325
Gain / (loss) on sale of investments - net		622,304	(152,741)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		53,856	(145,856)
<b>Total income</b>		<b>78,037,746</b>	<b>89,330,601</b>
<b>EXPENSES</b>			
Remuneration of the management company		5,753,079	7,661,097
Sindh Sales Tax on Management Company's remuneration		920,493	1,225,822
Federal Excise Duty on Management Company's remuneration		43,177	-
Remuneration of MCB Financial Services Limited - Trustee		1,320,493	1,256,962
Annual fee - Securities and Exchange Commission of Pakistan		575,308	535,650
Brokerage expense		226,269	140,279
Amortisation of preliminary expenses and floatation costs	7	604,400	606,056
Auditor's remuneration	13	386,525	414,494
Annual listing fee		97,724	30,082
Rating fee		195,337	195,872
Printing charges		60,998	98,812
Bank charges		69,044	33,771
<b>Total expenses</b>		<b>10,252,847</b>	<b>12,198,897</b>
<b>Net income from operating activities</b>		<b>67,784,899</b>	<b>77,131,704</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(3,099,695)	(1,493,704)
<b>Net income for the year before taxation</b>		<b>64,685,204</b>	<b>75,638,000</b>
Taxation		-	-
<b>Net income for the year after taxation</b>		<b>64,685,204</b>	<b>75,638,000</b>
<b>Earnings per unit</b>	3.9	<b>-</b>	<b>-</b>

The annexed notes 1 to 26 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 JUNE 30, 2013**

	2013	2012
	Rupees	
Net income for the year after taxation	64,685,204	75,638,000
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>64,685,204</u>	<u>75,638,000</u>

The annexed notes 1 to 26 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 JUNE 30, 2013

	2013	2012
	Rupees	
Undistributed income brought forward {includes unrealised loss of Rs. 145,856 (June 30, 2011: unrealised loss of Rs. 459,449) realised loss of Rs. 949,967 (June 30, 2011: realised loss of Rs. 797,226)}	4,739,280	35,452,863
Net income for the year	64,685,204	75,638,000
Final distribution of Rs 0.5 per unit on July 07, 2011 for the year ended June 30, 2011	-	(32,026,844)
First interim distribution of Rs 0.08 per unit on July 28, 2012 for the year ending June 30, 2013 (2012: Rs.0.25 per unit on October 05, 2011)	(6,580,222)	(16,686,592)
Second interim distribution of Rs 0.08 per unit on August 30, 2012 for the year ending June 30, 2013 (2012: Re 0.25 per unit on December 29, 2011)	(6,021,467)	(18,123,220)
Third interim distribution at the rate of Rs 0.05 per unit on September 27, 2012 for the year ending June 30, 2013 (2012: Rs.0.25 per unit on March 29, 2012)	(4,117,259)	(13,050,034)
Fourth interim distribution at the rate of Rs 0.08 per unit on October 31, 2012 for the year ending June 30, 2013 (2012: Rs.0.1 per unit on April 27, 2012)	(7,059,135)	(8,013,615)
Fifth interim distribution at the rate of Rs 0.06 per unit on November 29, 2012 for the year ending June 30, 2013 (2012: Rs.0.8 per unit on May 30, 2012)	(5,415,078)	(6,249,302)
Sixth interim distribution at the rate of Rs 0.06 per unit on December 28, 2012 for the year ending June 30, 2013 (2012: Nil units)	(4,271,506)	-
Seventh interim distribution at the rate of Rs 0.06 per unit on January 30, 2013 for the year ending June 30, 2013 (2012: Nil)	(3,736,073)	-
Eighth interim distribution at the rate of Rs 0.05 per unit on February 26, 2013 for the year ending June 30, 2013 (2012: Nil)	(2,992,586)	-
Ninth interim distribution at the rate of Rs 0.05 per unit on March 28, 2013 for the year ending June 30, 2013 (2012: Nil)	(2,946,816)	-
Tenth interim distribution at the rate of Rs 0.13 per unit on April 30, 2013 for the year ending June 30, 2013 (2012: Nil)	(8,224,875)	-
Eleventh interim distribution at the rate of Rs 0.07 per unit on May 30, 2013 for the year ending June 30, 2013 (2012: Nil)	(5,466,019)	-
Final distribution at the rate of Rs 0.09 per unit on June 28, 2013 for the year ending June 30, 2013 (2012: Rs.0.16 per unit on June 28, 2012)	(5,999,442)	(12,201,976)
	(62,830,478)	(106,351,583)
Undistributed income carried forward {includes unrealised gain of Rs. 53,856 (June 30, 2012: unrealised loss of Rs. 145,856) realised loss of Rs. 1,572,271 (June 30, 2012: realised loss of Rs. 949,967)}	6,594,006	4,739,280

The annexed notes 1 to 26 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 JUNE 30, 2013

	Note	2013	2012
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		64,685,204	75,638,000
<b>Adjustments for:</b>			
Net unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss		(53,856)	145,856
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed – net		3,099,695	1,493,704
Amortisation of preliminary expenses and floatation costs		604,400	606,056
		<u>68,335,443</u>	<u>77,883,616</u>
<b>Decrease / (Increase) in assets</b>			
Investments - net		177,747,594	(222,175,102)
Profit receivable		(208,678)	(1,818,837)
Security deposit		(100,000)	-
Prepayments and other receivables		(11,022)	(9,424)
		<u>177,427,894</u>	<u>(224,003,363)</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		(601,546)	(1,003,927)
Fee payable to MCB Financial Services Limited - Trustee		(5,247)	2,087
Payable to Securities and Exchange Commission of Pakistan		39,658	(285,475)
Payable against redemption of units		-	(55,000)
Dividend payable		(847,762)	867,862
Accrued expenses and other liabilities		(35,195)	134,782
		<u>(1,450,092)</u>	<u>(339,671)</u>
<b>Net cash generated from / (used in) operating activities</b>		<u>244,313,245</u>	<u>(146,459,418)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units		1,982,392,801	1,205,873,696
Payments on redemption of units		(2,157,253,046)	(1,173,447,256)
<b>Net cash (used in) / generated from financing activities</b>		<u>(174,860,245)</u>	<u>32,426,440</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		<u>69,453,000</u>	<u>(114,032,978)</u>
Cash and cash equivalents at the beginning of the year		46,290,603	160,323,581
<b>Cash and cash equivalents at the end of the year</b>	4	<u>115,743,603</u>	<u>46,290,603</u>

The annexed notes 1 to 26 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 JUNE 30, 2013**

	2013	2012
	Rupees	
Net assets at the beginning of the year {Rs. 10.06 per unit (June 30, 2011: Rs. 10.55 per unit)}	785,550,293	675,992,149
Issue of 201,590,307 (2012: 128,728,531) units including 6,213,940 bonus units (2012: 10,544,751 bonus units)	1,982,392,801	1,205,873,696
Redemption of 212,417,592 units (2012: 114,701,352 units)	(2,157,253,046) (174,860,245)	(1,173,447,256) 32,426,440
Net unrealized appreciation / (diminution) on re-measurement of Investments classified as 'financial assets at fair value through profit or loss'	53,856	(145,856)
Net capital gain / (loss) on sale of investments	622,304	(152,741)
Other income (net of expenses)	64,009,044	75,936,597
Total comprehensive income for the year	64,685,204	75,638,000
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed – net	3,099,695	1,493,704
Net assets at the end of the year {Rs. 10.09 per unit (June 30, 2012: Rs. 10.06 per unit)}	678,474,947	785,550,293

The annexed notes 1 to 26 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 JUNE 30, 2013

### 1 LEGAL STATUS AND NATURE OF BUSINESS

BMA Empress Cash Fund (the Fund) was established in Pakistan under a Trust Deed executed between BMA Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Trust deed was executed and approved by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) on June 18, 2009.

The Management Company of the Fund is licensed to carry out Asset Management services as a Non-Banking Finance Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 801 Unitower I.I Chundrigar Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Karachi Stock Exchange. Units of the Fund are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering these to the Fund. The Fund is categorised as an Open-End "Money Market Scheme" as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).

The primary objective of the Fund is to provide a competitive level of income that commensurate with enhanced liquidity and credit profile through investment primarily in short term deposits and money market instruments with an overall rupee-weighted average maturity of not more than 90 days.

JCR-VIS has assigned stability rating of 'AA+(f)' to the Fund. Pakistan Credit Rating Agency Limited has assigned a rating of AM3+ to the Management Company.

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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 directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

#### 2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following standards and amendments to standards have been published and are mandatory for the periods beginning on or after July 1, 2012:

- IAS 1, 'Financial statement presentation'. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any effect on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

#### 2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

**2.5 Accounting Convention**

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments Recognition and Measurement.'

**2.6 Functional and Presentation Currency**

These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

**2.7 Change in methodology of allocation of element**

During the current year, the Fund has revised its methodology for recognition of element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed. As per the revised methodology, only that portion of the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed which is represented by income earned during the year is recognised in the income statement. Previously, the whole amount of element of income / (loss) was recognised in the income statement.

The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology, the net income for the year would have been lower by Rs. 0.66 million

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated :

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances in savings accounts and other deposits with banks having original maturities of three months or less.

**3.2 Financial assets****3.2.1 Classification**

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- available for sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

**a) Financial assets at fair value through profit or loss**

These are financial assets acquired principally for the purpose of generating profit from short term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

**3.2.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

**3.2.3 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at 'fair value through profit or loss'. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

**3.2.4 Subsequent measurement****a) Financial assets 'at fair value through profit or loss' and 'available for sale'**

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

**- Basis of valuation of debt securities**

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009, circular no.33 of 2012 dated October 24, 2012 and circular no. 35 of 2012 dated November 26, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**- Basis of valuation of government securities**

The investment of the Fund in government securities is subsequently stated at fair value which is determined on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations, 2008.

Net gains and losses arising from changes in fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the statement of comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to the income statement as capital gain / (loss).

**b) Loans and receivables**

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

### **3.2.5 Impairment**

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is reclassified from other comprehensive income and recognised in the income statement.

#### **a) Debt securities**

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 1 of 2009 dated January 6, 2009, circular no.33 of 2012 dated October 24, 2012 and circular no. 35 of 2012 dated November 26, 2012, issued by the SECP.

As allowed under circular no. 33 of 2012 dated October 24, 2012, issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors.

#### **b) Loans and receivables**

For financial assets classified as loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by the SECP.

### **3.2.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired, have been realised or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

### **3.2.7 Offsetting of financial assets and liabilities**

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

### **3.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

### **3.4 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

### **3.5 Provisions**

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

### **3.6 Taxation**

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

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

### 3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company of the Fund for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours on that day. The redemption price represents the net asset value per unit as of the close of the business day any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### 3.8 Net asset value per unit

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

### 3.9 Earnings per unit

Earnings per unit (EPU) for the year ended June 30, 2013 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

### 3.10 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Discount income on Market Treasury Bills is amortised to income statement using the straight line method.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.
- Income on certificates / letters of placement is recognised on an accrual basis.

	Note	2013	2012
		(Rupees)	
<b>4 BANK BALANCES</b>			
Savings accounts	4.1	115,742,770	46,289,770
Current accounts		833	833
		<u>115,743,603</u>	<u>46,290,603</u>

4.1 These accounts carry rate of return ranging from 6.00% to 8.40% (2012 : 4.89% to 11.35%) per annum.

	Note	2013	2012
		(Rupees)	
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
Government securities - Market Treasury Bills	5.1	432,324,276	615,018,014
<b>Loans and receivables</b>			
Certificate of investment	5.2	60,000,000	125,000,000
Letter of Placement	5.3	70,000,000	-
		<u>562,324,276</u>	<u>740,018,014</u>



### 5.1 Investment in Government Securities - 'at fair value through profit or loss'

Issue Date	Tenor	Face Value				Market Value as at June 30, 2013	Investment as a percentage of		
		As at July 1, 2012	Purchases during the year	Disposed / Matured during the year	As at June 30, 2013		Net Assets	Market Value of total investments	
						-----Rupees in '000-----		-----%	
<b>Market Treasury Bills</b>									
April 19, 2012	3 Months	244,600,000	-	244,600,000	-	-	-	-	-
May 3, 2012	3 Months	125,000,000	55,000,000	180,000,000	-	-	-	-	-
June 14, 2012	3 Months	13,600,000	200,000,000	213,600,000	-	-	-	-	-
May 31, 2012	3 Months	-	75,000,000	75,000,000	-	-	-	-	-
June 28, 2012	3 Months	-	165,000,000	165,000,000	-	-	-	-	-
July 12, 2012	3 Months	-	175,000,000	175,000,000	-	-	-	-	-
July 26, 2012	3 Months	-	200,000,000	200,000,000	-	-	-	-	-
August 23, 2012	3 Months	-	135,000,000	135,000,000	-	-	-	-	-
September 6, 2012	3 Months	-	100,000,000	100,000,000	-	-	-	-	-
September 20, 2012	3 Months	-	25,000,000	25,000,000	-	-	-	-	-
October 4, 2012	3 Months	-	100,000,000	100,000,000	-	-	-	-	-
November 15, 2012	3 Months	-	100,000,000	100,000,000	-	-	-	-	-
February 7, 2013	3 Months	-	150,000,000	150,000,000	-	-	-	-	-
February 21, 2013	3 Months	-	110,000,000	110,000,000	-	-	-	-	-
March 7, 2013	3 Months	-	218,000,000	218,000,000	-	-	-	-	-
March 21, 2013	3 Months	-	175,000,000	175,000,000	-	-	-	-	-
April 4, 2013	3 Months	-	17,800,000	17,800,000	-	-	-	-	-
May 2, 2013	3 Months	-	150,000,000	69,800,000	80,200,000	79,725,058	11.75%	14.18%	
January 26, 2012	6 Months	103,300,000	80,000,000	183,300,000	-	-	-	-	-
May 17, 2012	6 Months	-	200,000,000	200,000,000	-	-	-	-	-
July 26, 2012	6 Months	-	250,000,000	250,000,000	-	-	-	-	-
August 9, 2012	6 Months	-	250,000,000	250,000,000	-	-	-	-	-
September 6, 2012	6 Months	-	200,000,000	200,000,000	-	-	-	-	-
September 20, 2012	6 Months	-	159,500,000	159,500,000	-	-	-	-	-
October 4, 2012	6 Months	-	245,000,000	245,000,000	-	-	-	-	-
October 18, 2012	6 Months	-	250,000,000	250,000,000	-	-	-	-	-
November 1, 2012	6 Months	-	300,000,000	300,000,000	-	-	-	-	-
November 15, 2012	6 Months	-	250,000,000	250,000,000	-	-	-	-	-
November 29, 2012	6 Months	-	70,000,000	70,000,000	-	-	-	-	-
January 24, 2013	6 Months	-	180,000,000	137,800,000	42,200,000	41,950,092	6.18%	7.46%	
August 25, 2011	12 Months	120,000,000	-	120,000,000	-	-	-	-	-
October 6, 2011	12 Months	14,000,000	-	14,000,000	-	-	-	-	-
August 11, 2011	12 Months	-	25,000,000	25,000,000	-	-	-	-	-
September 8, 2011	12 Months	-	200,000,000	200,000,000	-	-	-	-	-
October 20, 2011	12 Months	-	150,000,000	150,000,000	-	-	-	-	-
November 3, 2011	12 Months	-	275,000,000	275,000,000	-	-	-	-	-
November 17, 2011	12 Months	-	250,000,000	250,000,000	-	-	-	-	-
December 1, 2011	12 Months	-	100,000,000	100,000,000	-	-	-	-	-
July 26, 2012	12 Months	-	403,000,000	90,500,000	312,500,000	310,649,126	45.79%	55.24%	
Total as at June 30, 2013						<u>432,324,276</u>	<u>63.72%</u>	<u>76.88%</u>	

### 5.2 Certificates of Investment

Name of issuer	Maturity date	Rate	As at June 30, 2013
Saudi Pak Industrial and Agricultural Company Limited	4-Jul-13	9.65%	<u>60,000,000</u>
			<u>60,000,000</u>

### 5.3 Letters of Placement

Name of issuer	Maturity date	Rate	As at June 30, 2013
Pak Brunei Investment Company Limited	2-Jul-13	9.65%	<u>70,000,000</u>
			<u>70,000,000</u>

#### 5.3.1 Non-compliant investments

As per NBFC regulation 55(5), exposure to any debt issue of a company should not exceed ten percent of that issue and ten percent of the Net assets of the Fund, in total. As at June 30, 2013 investment in letter of placement with Pak Brunei Investment Company Limited is 10.32%, which is in excess of the prescribed limit.

	Note	2013	2012
		Rupees	
<b>5.4 Net unrealised appreciation / (diminution) in the value of investments classified as "fair value through profit or loss"</b>			
Market value of investments	5.1	432,324,276	615,018,014
Less: Carrying value of investments		<u>432,270,420</u>	<u>615,163,870</u>
		<u>53,856</u>	<u>(145,856)</u>
<b>6 PROFIT RECEIVABLE</b>			
- Profit on savings deposits		458,338	302,112
- Profit on letters of placements		573,712	-
- Profit on certificates of investment		<u>1,618,027</u>	<u>2,139,287</u>
		<u>2,650,077</u>	<u>2,441,399</u>
<b>7 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance		1,429,033	2,035,089
Less: Amortisation during the year		<u>(604,400)</u>	<u>(606,056)</u>
Balance as at the end of the year		<u>824,633</u>	<u>1,429,033</u>
<b>8 PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management Company's remuneration	8.1	462,852	496,187
Sindh Sales Tax on Management Company's remuneration		74,058	79,390
Federal Excise Duty on Management Company's remuneration	8.2	43,177	-
Sales load payable to the Management Company		5,200	5,200
Preliminary expenses and floatation costs paid by the Management Company on behalf of the Fund		<u>1,429,033</u>	<u>2,035,089</u>
		<u>2,014,320</u>	<u>2,615,866</u>

8.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent per annum of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent per annum of such assets of the Fund. The Management company has charged remuneration at the rate of 0.75 percent of the average annual net assets of the Fund.

8.2 During the year, through the Finance Act, 2013, effective from June 13, 2013, the federal government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company.

	Note	2013	2012
		Rupees	
<b>9 FEE PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE</b>			
	9.1	<u>106,933</u>	<u>112,180</u>

9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff structure specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2013 is as follows:

Net Assets	Tariff per annum
Up to Rs. 500 million	Rs.0.7 million or 0.20% per annum of the Net Asset, whichever is higher
Exceeding Rs. 500 million to Rs.1,000 million	Rs.1.0 million plus 0.12% per annum of the amount exceeding Rs. 500 million
Exceeding Rs. 1,000 million to Rs. 2,000 million	Rs.1.45 million plus 0.08% per annum of the amount exceeding Rs. 1,000 million
Over Rs. 2,000 million	Rs.2.35 million plus 0.05% per annum of the amount exceeding Rs.2,000 million

10	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2013	2012
			Rupees	

Annual fee	10.1	<u>575,308</u>	<u>535,650</u>
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**10.1** Under the provisions of the NBFC Regulations, a collective investment scheme categorised as money market scheme is required to pay an annual fee to SECP at an amount equal to 0.075 percent of the average annual net assets of the Scheme. The Fund has been categorised as a 'Money Market Scheme' by the Management Company.

11	ACCRUED EXPENSES AND OTHER LIABILITIES	2013	2012
		Rupees	
	Auditors' remuneration payable	304,869	330,041
	Printing charges	61,950	41,146
	Other payables	<u>147,728</u>	<u>178,555</u>
		<u>514,547</u>	<u>549,742</u>

**12 CONTINGENCIES AND COMMITMENTS**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / Mutual Funds (CISs) / Pension Funds 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 (SHC), challenging the applicability of WWF to the CISs / pension funds, which is pending adjudication.

During the year ended 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional Petition requesting the Court to dismiss the same. This response was contradictory to the earlier clarification issued by the Ministry. Show cause notices were then issued by the Federal Board of Revenue (FBR) to several Mutual Funds (CISs) / Pension Funds for the collection of WWF. In respect of such show cause notices, certain Mutual Funds (CISs) / Pension Funds have been granted stay by the Honorable SHC on the basis of the pending Constitutional Petition as referred to above.

In March 2013, a three member bench of the Sindh High Court in its judgement on various Constitutional Petitions challenging the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, held that WWF is a tax and consequently, the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through the Finance Act, 2006 and 2008 respectively (Money Bills) do not suffer from any constitutional or legal infirmity. This judgement was in contrast to the July 2011 single member bench decision of the Honorable Lahore High Court which had held such amendments as unlawful and unconstitutional for the reason that they were made through the money bills. For the CISs and Pension Funds, the issue of chargeability or otherwise of WWF levy to the CISs / Pension Funds is currently pending before the Honorable SHC.

The management company believes that the decision of the Honorable Lahore High Court will lend further support to the Constitutional Petition which is pending in the Honorable High Court of Sindh. Further, based on the opinion from the legal counsel of Mutual Funds Association of Pakistan (MUFAP), there are good chances for the Constitutional Petition to be decided in favor of the mutual funds. Accordingly, no provision has been made in respect of WWF liability. The aggregate amount of unrecognised WWF liability amounts to Rs 5.828 million (including Rs 1.29 million for the current year) as at June 30, 2013. Had the provision been recognised, the Net Asset Value of the Fund would have been lower by Rs 0.087 per unit.

13	AUDITORS REMUNERATION	2013	2012
		Rupees	
	Annual Audit	250,000	250,000
	Half yearly review and other certifications	100,000	100,000
	Report on compliance with CCG	25,000	25,000
	Out of pocket expenses	<u>11,525</u>	<u>39,494</u>
		<u>386,525</u>	<u>414,494</u>

14	NUMBER OF UNITS IN ISSUE	2013	2012
		Number of units	
	Total units in issue at the beginning of the year	78,080,867	64,053,688
	Add: units issued during the year	195,376,367	118,183,780
	Add: bonus units issued during the year	6,213,940	10,544,751
	Less: units redeemed during the year	212,417,592	114,701,352
	Total units in issue at the end of the year	<u>67,253,582</u>	<u>78,080,867</u>

15 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2013			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
(Rupees)			
Financial assets			
Bank balances	115,743,603	-	115,743,603
Investments	130,000,000	432,324,276	562,324,276
Profit receivable	2,650,077	-	2,650,077
Security deposit	100,000	-	100,000
	<u>248,493,680</u>	<u>432,324,276</u>	<u>680,817,956</u>

As at June 30, 2013			
	Liabilities 'at fair value through profit and loss'	Other financial liabilities	Total
(Rupees)			
Financial liabilities			
Payable to the Management Company	-	2,014,320	2,014,320
Fee payable to MCB Financial Services Limited - Trustee	-	106,933	106,933
Dividend payable	-	20,100	20,100
Accrued expenses and other liabilities	-	514,547	514,547
	<u>-</u>	<u>2,655,900</u>	<u>2,655,900</u>

As at June 30, 2012			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
(Rupees)			
Financial assets			
Bank balances	46,290,603	-	46,290,603
Investments	125,000,000	615,018,014	740,018,014
Profit receivable	2,441,399	-	2,441,399
	<u>173,732,002</u>	<u>615,018,014</u>	<u>788,750,016</u>

As at June 30, 2012			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
(Rupees)			
Financial liabilities			
Payable to the Management Company	-	2,615,866	2,615,866
Fee payable to MCB Financial Services Limited - Trustee	-	112,180	112,180
Dividend payable	-	867,862	867,862
Accrued expenses and other liabilities	-	549,742	549,742
	<u>-</u>	<u>4,145,650</u>	<u>4,145,650</u>

## 16 TRANSACTIONS WITH CONNECTED PERSONS

Related parties / connected persons include BMA Asset Management Company Limited (the Management Company), BMA Chundrigar Road Savings Fund, BMA Capital Management Limited (the holding company of the Management Company), BMA Capital Management Limited Staff Provident Fund, BMA Funds Limited and the Trustee, MCB Financial Services Limited.

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 the transactions with connected persons are as follows:

	30 June 2013		30 June 2012	
	Units	Rupees	Units	Rupees
<b><u>Units issued (including bonus):</u></b>				
<b>Directors and executives of the management company</b>				
Faisal Ali Khan	-	-	35,121	358,161
Adeel Ahmed khan	4,617	46,678	202,800	2,065,018
Lawrence A Lobo	36,200	367,603	10,870	110,821
Harold Makil Charles	6,080	61,646	16,505	168,401
<b>Associated Companies</b>				
BMA Capital Management Limited	41,948,275	425,682,646	7,856,580	80,015,858
BMA Asset Management Company Limited	36	364	5,522,414	55,934,595
BMA Funds Limited	37,687,673	381,867,202	-	-
BMA Capital Management Limited – Staff Provident Fund	-	-	5,293,355	53,238,972
<b>Unit holders with holding of 10% and above</b>				
Habib Metropolitan Bank Limited	6,592,598	67,076,598	3,859,520	39,235,995
WestBury (Private) Limited	358,694	3,627,276	4,436,674	45,036,700
Emirates Shipping Agency Pakistan (Private) Limited	9,136,361	92,455,991	15,883,990	161,467,803
<b><u>Units Redeemed by:</u></b>				
<b>Directors and executives of the management company</b>				
Adeel Ahmed khan	12,176	123,315	204,801	2,096,100
Faisal Ali Khan	-	-	49,393	503,121
Lawrence A. Lobo	37,210	377,977	10,626	109,011
Harold Makil Charles	6,080	61,659	16,505	169,134
<b>Associated Companies</b>				
BMA Capital Management Limited	41,948,275	425,853,927	8,624,129	87,127,830
BMA Asset Management Company Limited	348,028	3,505,004	19,591,758	201,077,208
BMA Funds Limited	8,137,487	82,716,210	-	-
BMA Capital Management Limited – Staff Provident Fund	5,293,355	53,308,845	-	-
<b>Unit holders with holding of 10% and above</b>				
Habib Metropolitan Bank Limited	8,017,832	81,648,691	5,603,693	56,787,816
WestBury (Private) Limited	-	-	8,260,443	83,914,338
Emirates Shipping Agency Pakistan (Private) Limited	17,530,466	177,944,600	7,481,759	76,112,075
<b><u>Transactions with Associated Company</u></b>				
BMA Asset Management Company Limited				
Remuneration of the management company	-	5,753,079	-	7,661,097
Sindh Sales Tax on Management Company's remuneration	-	920,493	-	1,225,822
Federal Excise Duty on Management Company's remuneration	-	43,177	-	-
Sales load	-	-	-	84,172
<b><u>Transactions with other related parties</u></b>				
<b>MCB Financial Services Limited - Trustee</b>				
Remuneration for the year	-	1,320,493	-	1,256,962

<b>Balances at the year end</b>	<b>2013</b>		<b>2012</b>	
	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
<b>Units Held by:</b>				
<b>Directors and executives of the management company</b>				
Faisal Ali Khan	-	-	-	-
Adeel Ahmed Khan	-	-	7,560	76,055
Lawrence A. Lobo	-	-	1,009	10,155
<b>Associated Companies</b>				
BMA Capital Management Limited – Staff Provident Fund	-	-	5,293,355	53,254,852
BMA Capital Management Limited	-	-	-	-
BMA Asset Management Company Limited	-	-	347,992	3,501
BMA Funds Limited	29,550,187	298,111,155	-	-
<b>Unit holders with holding of 10% and above</b>				
Habib Metropolitan Bank Limited	6,410,016	64,666,167	7,835,250	78,828,101
WestBury (Private) Limited	4,415,928	44,549,208	4,057,234	40,818,611
Emirates Shipping Agency Pakistan (Private) Limited	8,126	81,973	8,402,231	84,532,330
<b>BMA Asset Management Company Limited</b>				
Management remuneration payable	-	462,852	-	496,187
Sindh Sales Tax payable on Management Company's remuneration	-	74,058	-	79,390
Federal Excise Duty on Management Company's remuneration	-	43,177	-	-
Preliminary expenses and floatation costs paid by the Management Company on behalf of the Fund	-	1,429,033	-	2,035,089
Sales Load Payable	-	5,200	-	5,200
<b>Balances with other parties</b>				
<b>Trustee</b>				
Remuneration Payable to MCB Financial Services Limited	-	106,933	-	112,180

## 17 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No.	Name	Designation	Qualification	Experience in years
1	Mr. Muddassar Malik	Chairman of Investment Committee / Chief Executive Officer	MBA Finance & Corporate Strategy	21
2	Mr. Farrukh Hussain	Chief Investment Officer	MBA and Post Graduate Diploma in Finance and Banking	13
3	Mr. Qamar Abbas	Fund Manager	M.Sc in Finance	16

17.1 Mr. Qamar Abbas is also the fund manager of BMA Chundrigar Road Savings Fund.

## 18 LIST OF BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID 2013

1	Invest Capital Market Limited	48.70%
2	Global Securities Pakistan Limited	34.09%
3	Invest One Markets Limited	9.90%
4	I-Con Securities (Private) Limited	6.49%
5	Invest & Finance Securities (Private) Limited	0.53%
6	KASB Securities Limited	0.29%

## 2012

1	Invest & Finance Securities (Private) Limited	50.00%
2	Global Securities Pakistan Limited	27.00%
3	I-Con Securities (Private) Limited	23.00%

**19 DETAILS OF PATTERN OF UNIT HOLDING**

Category	June 30, 2013		
	Number of unit holders	Investment amount	Percentage of total
	Rupees		
Individuals	52	115,453,444	17.02%
Associated Companies/ Directors	4	298,112,325	43.94%
Bank/DFIs	1	64,666,421	9.53%
Retirement Funds	7	36,327,882	5.35%
Others	14	163,914,875	24.16%
	<b>78</b>	<b>678,474,947</b>	<b>100.00%</b>

Category	June 30, 2012		
	Number of unit holders	Investment amount	Percentage of total
	Rupees		
Individuals	63	189,951,113	24.18%
Associated Companies/ Directors	2	56,756,062	7.23%
Insurance Companies	1	21,673,677	2.76%
Bank/DFIs	2	128,205,145	16.32%
Retirement Funds	8	39,582,164	5.04%
Others	19	349,382,132	44.48%
	<b>95</b>	<b>785,550,293</b>	<b>100.00%</b>

**20 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The Board meetings during the year were held on September 13, 2012, October 31, 2012, February 26, 2013, April 30, 2013 and May 16, 2013 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
* Mr. Omer Syed	5	1	1	Meeting held on October 31, 2012 was not attended and leave was granted.
* Mr. Waqar Hassan Siddiqui	5	1	1	Meeting held on September 13, 2012 was not attended and leave was granted.
* Mr. Abdullah Shahin	5	1	1	Meeting held on October 31, 2012 was not attended and leave was granted.
* Mr. Thomas James Speechley	5	1	1	Meeting held on September 13, 2012 was not attended and leave was granted.
Mr. Tashfin I Huq	5	5	-	Not applicable
Mr. Zahid Qasim Noorani	5	4	1	Meeting held on September 13, 2012 was not attended and leave was granted.
Mr. Mohammed Iqbal	5	5	-	Not applicable
Mr. Muddassar Malik	5	5	-	Not applicable

\* The office of these directors was vacated on May 16, 2013 after the passage of three consecutive meetings held on February 26, 2013, April 30, 2013 and May 16, 2013 without attendance.

**21 FINANCIAL RISK MANAGEMENT**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

**21.1 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the investment committee and regulations laid down by SECP.

Market risk comprises of three types of risk: currency risk, yield / interest rate risk and other price risk.

### 21.1.1 Currency risk

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, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

### 21.1.2 Yield / Interest rate risk

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

#### a) Sensitivity analysis for variable rate instruments

As at June 30, 2013, the Fund did not hold any variable rate instruments and is not exposed to cash flow interest rate risk

#### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2013 the Fund holds Market Treasury Bills which are classified as 'at fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2013, with all other variables held constant, the net income for the year and net assets would be lower by Rs 282,240 (2012: Rs. 453,087). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2013, with all other variables held constant, the net income for the year and net assets would be higher by Rs 282,695 (2012: Rs. 454,080).

As at June 30, 2013					
Effective interest rate %	Total	Exposed to Yield / Interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
-----Rupees-----					
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Bank balances	6.00-8.40	115,743,603	115,742,770	-	833
Investments	9.37-9.65	562,324,276	562,324,276	-	-
Profit receivable		2,650,077	-	-	2,650,077
Security deposit		100,000	-	-	100,000
		680,817,956	678,067,046	-	2,750,910
<b>Financial liabilities</b>					
Payable to the Management Company		2,014,320	-	-	2,014,320
Fee payable to MCB Financial Services Limited - Trustee		106,933	-	-	106,933
Dividend payable		20,100	-	-	20,100
Accrued expenses and other liabilities		514,547	-	-	514,547
		2,655,900	-	-	2,655,900
<b>On-balance sheet gap</b>		678,162,056	678,067,046	-	95,010
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-

As at June 30, 2012					
Effective interest rate %	Total	Exposed to Yield / Interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
-----Rupees-----					
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Bank balances	4.89 - 11.35	46,290,603	46,289,770	-	833
Investments	9.00 - 12.30	740,018,014	740,018,014	-	-
Profit receivable		2,441,399	-	-	2,441,399
		788,750,016	786,307,784	-	2,442,232
<b>Financial liabilities</b>					
Payable to the Management Company		2,615,866	-	-	2,615,866
Fee payable to MCB Financial Services Limited - Trustee		112,180	-	-	112,180
Dividend payable		867,862	-	-	867,862
Accrued expenses and other liabilities		549,742	-	-	549,742
		4,145,650	-	-	4,145,650
<b>On-balance sheet gap</b>		784,604,366	786,307,784	-	(1,703,418)
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-



### 21.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as on June 30, 2013.

### 21.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

The analysis below summarises the credit quality of the Fund's bank deposits as at June 30, 2013:

Bank balances by rating category		2013
<b>Short term</b>		
	A-1+ / A1+	99.91%
	A1	0.09%
<b>Long term</b>		
	AA+	97.63%
	AA	2.08%
	A+	0.09%
	AAA	0.20%
<b>Loans and Receivables by rating category</b>		
<b>Short term</b>		
	A-1+ / A1+	100.00%
<b>Long term</b>		
	AA	100.00%

#### 21.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio mainly comprise of government securities and remaining transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than government. Investment in treasury bills is guaranteed by the Government of Pakistan.

#### 21.2.2 Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

#### 21.2.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities that can be readily disposed and are considered readily realisable. In addition when funds are placed in banks, it is ensured that such placements are made with banks having strong risk ratings.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests 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 redemption requests during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Assets and liabilities to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at June 30, 2013				
Total	Upto three months	Over three months and upto one year	Over one year	
-----Rupees-----				
<b>Liabilities</b>				
Payable to the Management Company	2,014,320	580,087	1,434,233	-
Fee payable to MCB Financial Services Limited - Trustee	106,933	106,933	-	-
Dividend payable	20,100	20,100	-	-
Accrued expenses and other liabilities	514,547	514,547	-	-
	<u>2,655,900</u>	<u>1,221,667</u>	<u>1,434,233</u>	<u>-</u>

As at June 30, 2012				
Total	Upto three months	Over three months and upto one year	Over one year	
-----Rupees-----				
<b>Liabilities</b>				
Payable to the Management Company	2,615,866	575,577	2,040,289	-
Fee payable to MCB Financial Services Limited - Trustee	112,180	112,180	-	-
Dividend payable	867,862	867,862	-	-
Accrued expenses and other liabilities	549,742	549,742	-	-
	<u>4,145,650</u>	<u>2,105,361</u>	<u>2,040,289</u>	<u>-</u>

## 22 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions on the subscription and redemption of units. As required under NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the Statement of Assets and liabilities date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from book values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

ASSETS	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
-----Rupees-----				
Financial assets classified as 'fair value through profit or loss'				
- Investments In Market Treasury Bills	-	432,324,276	-	432,324,276

ASSETS	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
-----Rupees-----				
Financial assets classified as 'fair value through profit or loss'				
- Investments In Market Treasury Bills	-	615,018,014	-	615,018,014

#### 24 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 30 September 2013.

#### 25 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. The following has been reclassified and disclosed in the notes to the financial statements:

Description	Reclassified from	Classified to	Amount Rupees
Certificates of investment held by the Fund as at June 30, 2012 have been reclassified from held to maturity investments to loans and receivables.	Investments - Held to Maturity	Investments - Loans and Receivables	125,000,000

There was no impact on the balance sheet for the year ended June 30, 2011 as the Fund did not hold any such investment.

#### 26 GENERAL

Figures have been rounded off to the nearest rupee.

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

**Muddassar Malik**  
Chief Executive Officer

**Tashfin I. Huq**  
Director

**PATTERN OF UNIT HOLDER AS PER REQUIREMENTS OF CODE OF  
CORPORATE GOVERNANCE  
AS AT 30 JUNE 2013**

<b>PARTICULARS</b>	<b>UNIT HOLDING</b>
<b>INDIVIDUALS</b>	11,442,848
<b>MANAGEMENT COMPANY</b> BMA Asset Management Co 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>	
Muhammad Iqbal	-
Mr. Tashfin I. Huq	-
Mr. Zahid Qasim Noorani	-
<b>EXECUTIVES</b>	-
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	14,666,879
<b>BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>	6,410,016
<b>SHAREHOLDING 10% OR MORE (MANAGEMENT COMPANY)</b> BMA Funds Limited	29,550,187
<b>OTHERS</b>	5,183,652
	<u><u>67,253,582</u></u>