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## FUND'S INFORMATION

### Management Company

#### **BMA Asset Management Company Limited**

801 Unitower. I.I. Chundrigar Road,  
Karachi-74000

### Board of Directors of the Management Company

Mr. Arif Masood Naqvi	Chairman
Mr. Muddassar Malik	Chief Executive
Mr. Waqar Hassan Siddique	Director
Mr. Mustafa Abdel Wadood	Director
Mr. Thomas James Speechley	Director
Mr. Farrukh Hussain Khan	Director
Mr. Moazzam Malik	Director
Mr. Muhammad Iqbal	Director

### Company Secretary & CFO of the Management Company

Mr. Muhammad Amir Iqbal

### Audit Committee of the Management Company

Mr. Farrukh Hussain Khan	Chairman
Mr. Moazzam Malik	
Mr. Muhammad Iqbal	

### Trustee

Muslim Commercial Financial Services (Private) Limited  
Trustee Office 3<sup>rd</sup> Floor Adamjee House I.I. Chundrigar Road Karachi

### Bankers

Standard Chartered Bank Pakistan Limited  
KASB Bank Limited  
JS Bank Limited  
Bank Al-Habib Limited  
Tameer Micro Finance Bank Limited  
Atlas Bank Limited  
Allied Bank of Pakistan Limited  
Saudi Pak Commercial Bank Limited  
My Bank Limited

### Distributors

Standard Chartered Bank Pakistan Limited  
BMA Capital Management Limited

### Auditors

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

### Legal Adviser

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

### Registrar

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

### Management Quality Rating

AM2- by JCR VIS Credit Rating Company Limited

### **MISSION STATEMENT**

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

### **VISION STATEMENT**

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

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

The Board of Directors of BMA Asset Management Company Limited, the Management Company to BMA Chundrigar Road Savings Fund (BCSF) is pleased to present its report and un-audited interim condensed financial statements of the Fund for the period ended December 31, 2007.

### **PROFILE**

The announcement of the BMA Chundrigar Road Savings Fund was made on 14 August, 2007, Pakistan's 60th year of independence and was formally launched on 23rd August. The BCSF seeks to provide its investors with an attractive rate of return by investing in all fixed income and money market instruments of low risk and short duration. The Fund will aim to maintain a rupee-weighted average maturity for the investment portfolio of not more than 365 days. The benchmark for our return is one month KIBOR and all investment returns obtained from the Fund will be exempt from, withholding tax and capital gains until assessment year 2008.

### **FUND'S FINANCIAL PERFORMANCE**

In 131 days of operation (Aug 23 – Dec 31) the Fund earned a total income of PKR 83.82 million, PKR 31.94 million of which was earned through profit on Bank deposits. Expenditure for the said period was PKR 11.39 million, which means that net income of PKR 72.43 million for this period, earned at an annualized return of 8.68%.

As of 31 December the total assets of the Fund were PKR 2.40 billion, of which PKR 994.36 million (41.36%) were in Bank deposits, PKR 176.34 million (7.34%) in the Continuous Funding System and PKR 1042.91 million (51.30%) were invested in Term Finance Certificates, Equity Futures, Government Securities, Certificates of Investment and Commercial Paper.

After conducting thorough credit analyses of the corporate debt proposals and their respective issuers, the Fund took exposure in the Banking, Electronic, Telecom, Chemical & Cement sectors. The weighted return on the TFC portfolio of PKR 439.45 million was equal to 11.84% p.a. The COI portfolio of PKR 125.01 million which is being held to maturity is earning interest equal to 10.84%. The portfolio duration as of 31 December was 187 days, which is consistent with the Fund's investment philosophy of remaining liquid, and allows us to adjust portfolio holdings in line with market conditions, as well as meet redemption requests without incurring losses.

### **MACROECONOMIC OUTLOOK**

The last few months have seen the country go through much upheaval and turmoil. Following the assassination of Benazir Bhutto in December the KSE lost over a thousand points in two trading sessions, while nearly US\$450 million of foreign portfolio investment has flowed out of the country. Consequently equity markets have been very volatile with the KSE 100 index falling to a low of 13,353 before rising to a record high of 14,830 after the successful completion of general elections. Yields on both local and foreign currency denominated government debt has gone up following the downgrade of Pakistan's sovereign credit rating by Moody's Investor Service and increase in risk premium. Yields on 10 year Pakistan Investment Bonds have increased from 10.20% in November to 11.30% in February, while the spread on the GoP's dollar bonds has increased from 200 basis points to 624 basis points.

Rising commodity prices for oil, wheat, fertilizer and palm oil have put severe pressure on the balance of trade which showed a deficit of over US\$10 billion at the end of the year. In addition to these supply side shocks, hoarding of agricultural produce and administrative inefficiencies pushed up prices for many essential food items. As a result YoY CPI at the end of January 2008 was 11.86%, with food inflation coming in at an incredible 18.25%. Contributing to these inflationary pressures has been the rapid growth of M2 (19%) which has been caused mainly by excessive government borrowing of over PKR 300 billion for this fiscal year. The outflow of dollars and rapid inflation have combined to put downward pressure on the rupee which has lost 3.34% of its value against the US dollar since November.

On 31 January 2008, the SBP raised the discount rate 50 basis points to 10.50% and the cash reserve requirement by 100 basis points to 8.00%. This further tightening of the monetary stance can be explained by the bank's desire to pre-empt a secondary round of inflation developing through a wage-price spiral. By increasing yields on bonds and treasury bills it hoped that the government would be able to raise debt from the market rather than resorting to highly inflationary borrowing from the central bank. Despite the challenges outlined above, the Pakistani economy is forecast to grow at a robust 6.5% for FY08, while corporate earnings are expected at 18%. With the successful holding of apparently free and fair elections, a credible civilian government is expected to soothe the unrest and violence that has disrupted civil life. Dollars in the form of privatisation, direct and portfolio investment is expected to return as uncertainty on the political front recedes. Not only will this ease pressure on the rupee but it will also enable the government to shift the burden of financing its budgetary deficit from local to external sources.

### **STRATEGY**

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

- a. Build up a high yielding TFC portfolio
- b. Make short term bank placements at attractive rates
- c. Closely monitor CFS and Spread markets for returns matching their risk profile
- d. Maintain liquidity and asset quality

### **BUILD UP A HIGH YIELDING TFC PORTFOLIO**

At the end of December, BCSF's TFC portfolio was 18.28% of net assets. Since then this portfolio has been increased to PKR 1019.88 million (31.41% of net assets). Not only does corporate debt provide the highest returns among money market instruments but its risk profile is considerably lower than investments in CFS and spread transactions. The Fund plans to further increase this portfolio to 50% of net assets by investing in pre-IPO debt to avoid paying premiums in a liquid market and exploit any opportunities for capital gains by maintaining a sizeable portion as AFS.

### **MAKE SHORT TERM BANK PLACEMENTS AT ATTRACTIVE RATES**

As the investment team anticipated a rise in interest rates, the Fund had built up a large cash position to be deployed once the tightening affect of monetary policy was felt on term deposit rates and KIBOR. Short term TDR placements are not only a liquid and safe investment, but they are one of the few remaining investment avenues in a market flush with cash.

### **CLOSELY MONITOR CFS AND SPREAD MARKETS FOR RETURNS MATCHING THEIR RISK PROFILE**

Ever since November, BCSF had been reducing its exposure to equity markets. Following the imposition of emergency and the assassination of Benazir Bhutto, the Fund felt it prudent to eliminate CFS and spread transactions from the portfolio until volatility decreased to levels acceptable to the risk appetite of an income fund. CFS and spread markets will be closely monitored and investments will be made once the available returns match their risk profile.

### **MAINTAIN LIQUIDITY AND ASSET QUALITY**

The first three components of BCSF's strategy tie in to the overall aim of maintaining a liquid portfolio which can be adjusted to prevailing market conditions. This will enable the Fund to maintain a flexible stance and position itself to take advantage of any arbitrage opportunities or inefficiencies in the market. While aspiring to provide BCSF investors with high risk adjusted returns, no compromise on asset quality will be made. All investments in TFCs, commercial papers, COIs and equity markets go through a thorough analysis by the investment committee before any decisions are taken. This ensures that BCSF is following an investment strategy which can be supported by the surrounding environment and that no undue risks are being taken to generate excessively high returns.

**Karachi: February 20, 2008**

**For and on behalf of the  
Board**

**Muddassar Malik  
Chief Executive**

**REVIEW REPORT TO THE UNIT HOLDERS**  
**ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION**

**Introduction**

We have reviewed the annexed interim condensed statement of assets and liabilities of **BMA CHUNDRIGAR ROAD SAVINGS FUND** as at **December 31, 2007**, and the related interim condensed income statement, interim condensed distribution statement, interim condensed cash flow statement and interim condensed statement of movement in unit holders' funds together with the notes forming part thereof (here-in-after referred to as the "interim condensed financial information") for the period from July 25, '2007 to December 31, 2007. Management Company (BMA Asset Management Company Limited) is responsible for the preparation and presentation of this interim condensed financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the annexed interim condensed financial information is not prepared, in all material respects, in accordance with approved accounting standards applicable in Pakistan.

**KARACHI: February 20, 2008**

**CHARTERED ACCOUNTANTS**

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

**Report of the Trustee Pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007**

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

1. BMA Asset Management Company Limited, the Management Company of BMA Chundrigar Road Savings Fund has in all material respects managed BMA Chundrigar Road Savings Fund during the period ended December 31<sup>st</sup> 2007 in accordance with the provisions of the following:
  - (i) Limitations imposed on the investment powers of the Management Company under the Constitutive Documents;
  - (ii) The valuation and pricing of Units are carried out in accordance with the requirements of the Trust Deed and the Offering Document;
  - (iii) The creation and cancellation of Units are carried out in accordance the requirements of the Trust Deed and the Offering Document;
  - (iv) The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007; and the constitutive documents.
2. We are not aware of any material shortcoming that may have impact on the decision of the existing or the potential Unit Holders remaining or investing in the Fund.
3. To the best of our knowledge the distribution of the returns made by the Scheme is in line with the objective of the Scheme as specified in the Constitutive Documents.

**Karachi: February 22, 2008**

**Chief Executive Officer  
Muslim Commercial Financial Services  
(Private) Limited**

**INTERIM CONDENSED STATEMENT OF ASSETS AND LIABILITIES  
AS AT DECEMBER 31, 2007  
(UN-AUDITED)**

	Note	December 31, 2007 Rupees
<b>ASSETS</b>		
Cash at banks	5	994,362,376
Receivable against continuous funding system	6	176,340,125
Investments	7	1,042,913,245
Due from brokers		238,628,647
Income receivable		34,322,372
Preliminary expenses and floatation costs	8	4,641,490
Security deposits		1,326,152
<b>Total assets</b>		<b>2,492,534,407</b>
<b>LIABILITIES</b>		
Remuneration payable to BMA Asset Management Company Limited	9	2,897,584
Remuneration payable to Muslim Commercial Financial Services (Private) Limited – Trustee		190,015
Payable to Securities and Exchange Commission of Pakistan		573,292
Payable to unitholders against redemption of units		70,322,803
Accrued expenses and other liabilities	10	14,530,817
<b>Total liabilities</b>		<b>88,514,511</b>
<b>Commitments</b>	11	
<b>NET ASSETS</b>		<b>2,404,019,896</b>
<b>Unit Holder's Funds</b>		<b>2,404,019,896</b>
		<b>(Number)</b>
<b>Number of units in issue</b>		<b>233,158,872</b>
<b>Net asset value per unit - Rupees</b>		<b>10.31</b>

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

For BMA Asset Management Company Limited  
(Management Company)

**Muddassar Malik**  
**Chief Executive**  
**Officer**

**Farrukh Hussain Khan**  
**Director**



**INTERIM CONDENSED INCOME STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2007  
(UN-AUDITED)**

	Note	For the period from July 25, 2007 to December 31, 2007	Quarter ended December 31, 2007
-----Rupees-----			
<b>INCOME</b>			
Income from term finance certificates		10,549,176	9,736,393
Income from certificate of investments		2,943,952	2,355,500
Income from government securities		1,970,492	1,909,226
Income from PLS and term deposit accounts		31,937,700	22,105,549
Income on continuous funding system		7,803,716	7,499,696
Income on commercial papers		1,745,840	1,281,549
Dividend Income		3,705,000	3,705,000
Capital gain on sale of investment-net		1,250,888	1,004,863
Element of income and capital gains included in prices of units issued less those in units redeemed		22,939,394	22,496,756
Net unrealized loss on investments at fair value through profit or loss		(1,024,600)	(1,351,481)
<b>Total Income</b>		<b>83,821,558</b>	<b>70,743,051</b>
<b>EXPENSES</b>			
Remuneration of BMA Asset Management Company Limited - Management Company		8,627,564	6,891,174
Remuneration of Muslim Commercial Financial Services (Private) Limited – Trustee		608,604	481,572
Annual fee - Securities and Exchange Commission of Pakistan		573,292	459,412
Brokerage		740,368	673,971
Other expenses		482,044	393,927
Amortization of preliminary expenses and floatation costs		358,510	251,778
<b>Total Expenses</b>		<b>11,390,382</b>	<b>9,151,834</b>
<b>Net Income for the period</b>		<b>72,431,176</b>	<b>61,591,217</b>
<b>Net income per unit</b>	12	-	-

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

For BMA Asset Management Company Limited  
(Management Company)

**Muddassar Malik**  
**Chief Executive**  
**Officer**

**Farrukh Hussain Khan**  
**Director**

**INTERIM CONDENSED DISTRIBUTION STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2007  
(UN-AUDITED)**

	For the period from July 25, 2007 to December 31, 2007	Quarter ended December 31, 2007
	-----Rupees-----	
Net income for the period	72,431,176	61,591,217
<b>Undistributed income carried forward</b>	<u><u>72,431,176</u></u>	<u><u>61,591,217</u></u>

The annexed notes from 1 to 15 form an integral part of these interim condensed financial statements.

For BMA Asset Management Company Limited  
(Management Company)

**Muddassar Malik**  
**Chief Executive**  
**Officer**

**Farrukh Hussain Khan**  
**Director**

**INTERIM CONDENSED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2007  
(UN-AUDITED)**

	For the period from July 25, 2007 to December 31, 2007		Quarter ended December 31, 2007
	-----Rupees-----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period	72,431,176	61,591,217	
<b>Adjustments</b>			
Net unrealized loss on investments at fair value through profit or loss	1,024,600	1,351,481	
Element of income	(22,939,394)	(22,496,756)	
Amortization of preliminary expenses and floatation cost	358,510	251,778	
	<b>50,874,892</b>	<b>40,697,720</b>	
<b>(Increase) in assets</b>			
Receivable against Continuous Funding System	(176,340,125)	66,872,640	
Investment	(1,043,937,846)	(1,012,185,898)	
Security deposits	(1,326,152)	(226,152)	
Receivable against sale of investment	(238,628,647)	-	
Income receivable	(34,322,372)	(23,612,892)	
	<b>(1,494,555,142)</b>	<b>(969,152,302)</b>	
<b>Increase in liabilities</b>			
Payable to BMA Asset Management Company Limited – Management Company	2,897,584	1,161,464	
Payable to Securities and Exchange Commission of Pakistan	573,292	459,412	
Payable to Muslim Commercial Financial Services Limited – Trustee	190,015	62,983	
Payable to unitholders against redemption of units	70,322,803	70,322,803	
Accrued expenses and other liabilities	9,530,818	4,265,247	
	<b>83,514,512</b>	<b>76,271,909</b>	
<b>Net cash flows from operating activities</b>	<b>(1,360,165,738)</b>	<b>(852,182,673)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipts from sale and repurchase of units	2,354,528,114	1,174,609,959	
Net increase in cash and cash equivalents during the period	994,362,376	322,427,286	
Cash and cash equivalents at beginning of the period	-	671,935,090	
Cash and cash equivalents at end of the period	<b>994,362,376</b>	<b>994,362,376</b>	

The annexed notes from 1 to 15 form an integral part of these interim condensed financial statements.

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

**Muddassar Malik**  
**Chief Executive**  
**Officer**

**Farrukh Hussain Khan**  
**Director**

**INTERIM CONDENSED STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
FOR THE PERIOD ENDED DECEMBER 31, 2007  
(UN-AUDITED)**

	<b>For the period from July 25, 2007 to December 31, 2007</b>	<b>Quarter ended December 31, 2007</b>
	-----Rupees-----	
Cash received on issue of units*	3,429,710,539	1,942,930,520
Less: Cash paid / payable on redemption of units**	(1,075,182,425)	(768,320,561)
	<b>2,354,528,114</b>	<b>1,174,609,959</b>
Element of income and capital gains included in prices of units issued less those in units redeemed	(22,939,394)	(22,496,756)
Net income for the period	72,431,176	61,591,217
<b>Net assets at the end of the period</b>	<b><u>2,404,019,896</u></b>	<b><u>1,213,704,420</u></b>
	-----Number of units-----	
	---	
*Number of units issued	<u>338,631,688</u>	<u>190,250,593</u>
**Number of units redeemed	<u>105,472,816</u>	<u>75,004,075</u>

The annexed notes from 1 to 15 form an integral part of these interim condensed financial statements.

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

**Muddassar Malik**  
**Chief Executive**  
**Officer**

**Farrukh Hussain Khan**  
**Director**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM JULY 25, 2007 TO DECEMBER 31, 2007  
(UN-AUDITED)**

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

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

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

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

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

Title to the assets of the Fund is held in the name of Muslim Commercial Financial Services (Private) Limited as a trustee of the Fund.

**2. STATEMENT OF COMPLIANCE**

These interim condensed financial statements have been prepared in accordance with the requirements of the NBFC Rules and the Non Banking Financial Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) as notified through SRO 1132(1/2007) dated November 21, 2007 by Securities and Exchange Commission of Pakistan (SECP), directives issued by the SECP and the approved International Financial Reporting Standards (IFRS) as applicable in Pakistan. Approved IFRS comprise of such International Accounting Standards (IAS) and IFRS as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the NBFC Rules, the NBFC Regulations, or directives issued by the SECP differ with the requirements of these standards, the requirements of the NBFC Rules, the NBFC Regulations, and the said directives take precedence. The disclosures made in these interim condensed financial statements have, however, been limited based on the requirements of International Accounting Standards-34: "Interim Financial Reporting".

The disclosure required by Schedule IV of the NBFC Regulations (Disclosure Requirements for Collective Investments Schemes) have not been made in these interim condensed financial statements as the Management Company is of the view that the same are not applicable on these financial statements in view of clarification received in this regard from the SECP, through Mutual Funds Association of Pakistan (MUFAP)

### 3. BASIS OF MEASUREMENT

These interim condensed financial statements have been prepared under the historical cost convention, except for investments classified “at fair value through profit or loss”, which are carried at fair value.

These interim condensed financial statements have been presented in Pakistan Rupees which is the reporting currency of the Fund.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Investments and other financial assets

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

All regular way purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets. Regular way purchases and sales are purchases or sales of investments that require delivery of assets within the period generally established by regulation or market convention such as “T+2”.

All investments are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of investments at fair value through profit or loss, in which case the transaction costs are charged off to the profit and loss account.

The fair value of investments that are actively traded in organised financial market is determined by reference to quoted market prices at the close of business on the balance sheet date. Except for TFC and government securities, investments where there is no active market, fair value is determined using valuation techniques. Such techniques included using recent arm’s length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models. However, the fair value of Term Finance Certificates is determined using rates obtained from Mutual Funds Association of Pakistan (MUFAP) in accordance with the Regulations. The fair value of the investments in federal government securities comprising Pakistan Investment Bonds are determined by reference to the quotations obtained from PKRV rate sheet on the Reuters page in accordance with the Regulations .

Investments and financial assets of the Fund are categorized as follows:

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Investments that are acquired principally for the purpose of generating profit from

short-term fluctuations in prices are classified as held for trading.

Subsequent to the initial recognition, these financial assets are carried in the statement of assets and liabilities at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the income statement in the period in which they arise.

### **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Fund has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognized or impaired, as well as through the amortisation process.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

## **4.2 Derivatives**

Derivatives instruments held by the Fund generally comprise of future contracts in the capital markets. These are initially recognised at cost and are subsequently re-measured at their fair value. The fair value of the future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (un-realized gains) are included in other assets and derivatives with negative market values (un-realized losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard-39, Recognition and Measurement of Financial Instruments (IAS-39), consequently hedge accounting is not used by the Fund.

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

Transactions of purchase under resale agreements (reverse-repo) of marketable and government securities, including the securities purchased under Continuous Funding System, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions/against Continuous Funding System. The difference between purchase and resale price is treated as income from reverse repurchase transactions/Continuous Funding System and accrued over the life of the reverse-repo agreement.

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

### **4.4 Issue and redemption of units**

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

Units redeemed are recorded at the redemption price, applicable on 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 less any back-end load, any duties, taxes and charges on redemption

### **4.5 Element of income/(loss) and capital gains/(losses) included in prices of units sold less those in units repurchased**

An equalization account called the 'element of income/(loss) and capital gain/(losses) included in prices of units sold less those in units repurchased' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

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



#### **4.6 Net asset value per unit**

The net asset value per unit disclosed in the statement of asset and liabilities is calculated by dividing the net assets of the Fund by the number of units at the period end.

#### **4.7 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances.

#### **4.8 Taxation**

The income of the Fund is exempt from taxation under clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realized or unrealised, is distributed amongst the Unit holders. Accordingly, no provision for current and deferred taxation has been made in the financial statements as the Fund intends to avail this tax exemption for the current and future periods.

#### **4.9 Revenue recognition**

Gain or loss on sale of investments is accounted for in the period in which it arises.

Unrealized gains or losses arising on mark to market of investment classified as financial assets at fair value through profit and loss are included in income statement in the period in which they arise.

Mark-up on government securities, term finance certificates, return on certificates of investment, return on bank balances, income from reverse repurchase agreements ,and income from continuous funding system are recognised on a time proportionate basis.

Gains or losses arising on the revaluation of derivatives to the fair value are taken to the income statement.

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

#### **4.10 Expenses**

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

#### **4.11 Impairment**

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

#### **4.12 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.

#### **4.13 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of Fund. These costs are being amortized over a period of five years commencing from August 23, 2007.

#### **4.14 Dividend and appropriations to reserves**

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

#### **4.15 Financial assets and financial liabilities**

Financial assets carried in the statement of assets and liabilities include bank balances, dividend and other receivables and investments.

Financial liabilities carried in the statement of assets and liabilities include remuneration payable to the Management Company, remuneration payable to the Trustee and accrued and other liabilities.

At the time of initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition methods adopted for subsequent remeasurement of significant financial assets and financial liabilities are disclosed in the individual policy statements associated with each item.

#### **4.16 Accounting estimates and judgements**

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

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

#### **4.17 Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of

asset and liabilities when there is legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

	Note	December 31, 2007 (Rupees)
<b>5. CASH AT BANKS</b>		
Local currency		
- in current account		9,940
- in deposit accounts	5.1	994,352,436
		<u><b>994,362,376</b></u>

5.1 Profit rates on deposit accounts ranges between 5% to 13% per annum.

**6. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM**

The rates of return on these transactions range between 9% to 11% per annum, with maturities ranging between overnight to 22 working days. Fair value of the collateral accepted against the above receivable balance amounted to Rs. 171,115,035.

	Note	December 31, 2007 Unaudited (Rupees)
<b>7. INVESTMENTS</b>		
At fair value through profit or loss		
- Term Finance Certificates – listed	7.1	45,515,968
- Term Finance Certificates – un-listed	7.2	393,930,000
- Pakistan Investment Bonds	7.3	95,163,700
- Equity securities	7.4	-
		<b>534,609,668</b>
Held to maturity		
- Commercial papers	7.5	68,291,043
- Certificate of Investments	7.6	125,012,534
		<b>193,303,577</b>
Pre-IPO subscription in TFCs	7.7	315,000,000
		<u><b>1,042,913,245</b></u>

### 7.1 Term Finance Certificates - Listed

Name of Investee Company	Profit/ Mark-up Rate %	------(Number of Certificates)-----			Market value as at December 31, 2007	Percentage of investment in relation to net assets of the Fund
		Purchases during the period	Sales during the period	As at December 31, 2007		
Engro Chemical Pakistan Limited	11.54%	2,281	-	2,281	Rupees 11,405,000	0.47%
Naimat Basal Oil & Gas Securitization Company Limited	12.52%	9,913	-	9,913	25,416,214	1.06%
Pakistan Services Limited	12.25%	6,000	-	6,000	8,694,754	0.36%
					<u>45,515,968</u>	
Cost of investments as at 31 December 2007					<u>45,515,968</u>	

### 7.2 Term Finance Certificates - Unlisted

Name of Investee Company	Profit/ Mark-up Rate %	------(Number of Certificates)-----			Market value as at 31 December 2007	Percentage of investment in relation to net assets of the Fund
		Purchases during the period	Sales during the period	As at December 31, 2007		
Al Abbas Sugar Mills Limited	11.74%	9,000	-	9,000	Rupees 45,000,000	1.87%
KASB Securities Limited	11.89%	22,000	12,000	10,000	51,815,000	2.16%
Kohat Cement Company Limited - Sukuk Issue (Face value of Rs.500/- certificate)	11.78%	100,000	-	100,000	50,000,000	2.08%
New Allied Electronics Industries (Private) Limited	12.52%	23,000	13,000	10,000	50,875,000	2.12%
Maple Leaf Cement Factory Limited- Sukuk Issue	11.67%	20,000	-	20,000	100,000,000	4.16%
New Allied Electronics Industries (Private) Limited - Sukuk Issue (Face value of Rs.312.50 per certificate)	12.42%	160,000	144,000	16,000	5,000,000	0.21%
Pakistan Mobile Communication Limited	11.27%	10,000	-	10,000	50,000,000	2.08%
Jahangir Siddiqui & Company Limited - V	11.71%	18,000	10,000	8,000	41,240,000	1.72%
Total					<u>393,930,000</u>	
Cost of investments as at 31 December 2007					<u>393,930,000</u>	

All Term Finance Certificates have a face value of Rs. 5,000 each unless otherwise stated.

### 7.3 Pakistan Investment Bonds

Issue date	Tenor (years)	Face Value	Coupon Rate %	------(Quantity)-----				Fair Value as at December 31, 2007	% of Net Assets
				Purchases during the period	Sales during the period	Maturities during the period	As at December 31, 2007		
22-Aug-07	10 Years	Rupees 100	9.60%	1,250,000	250,000	-	1,000,000	Rupees 95,163,700	3.96%
								<u>95,163,700</u>	
Cost of investments as at 31 December 2007								<u>96,188,300</u>	

### 7.4 Equity securities

Name of Investee Company	------(Number of Shares)-----			Market value as at 31 December 2007 (Rupees)	Percentage of investment in relation to net assets of the Fund
	Purchases during the period	Sales during the period	As at December 31, 2007		
<b>Oil and Gas Exploration Companies</b>					
Pakistan Oilfields Limited	340,500	340,500	-	-	-
Pakistan Petroleum Limited	8,500	8,500	-	-	-
Pakistan State Oil	250,000	250,000	-	-	-
<b>Commercial Banks</b>					
Bank of Punjab	1,006,500	1,006,500	-	-	-
Askari Commercial Bank Limited	66,000	66,000	-	-	-
Bank Al-Falah Limited	51,000	51,000	-	-	-
National Bank of Pakistan	575,500	575,500	-	-	-
<b>Cement</b>					
DG Khan cement	140,000	140,000	-	-	-
<b>Fertilizers</b>					
Engro Chemical Pakistan Limited	10,000	10,000	-	-	-
Fauji Fertilizers Bin Qasim Limited	25,500	25,500	-	-	-
Total	<u>2,473,500</u>	<u>2,473,500</u>	-	-	-

All holdings are in shares of Rs. 10/- each as otherwise stated.

	Note	December 31, 2007 (Rupees)
<b>7.5 Commercial papers</b>		
Dewan Farooq Motors Limited	7.5.1	39,693,543
World Call Telecom Limited	7.5.2	<u>28,597,500</u>
		<u><b>68,291,043</b></u>

**7.5.1** This Commercial Paper has a face value of Rs.40 million and carries mark-up of 13.36% and will mature on January 23, 2008.

**7.5.2** This Commercial Paper has a face value of Rs.30 million and carries mark-up of 10.76% and will mature on June 16, 2008.

	Note	December 31, 2007 (Rupees)
<b>7.6 Certificate of investment</b>		
First Dawood Investment Bank Limited	7.6.1	75,012,534
Security Leasing Corporation Limited	7.6.2	<u>50,000,000</u>
		<u><b>125,012,534</b></u>

**7.6.1** This carries mark-up at the rate of 10.40% per annum and has a maturity date of April 10, 2008.

**7.6.2** This carries mark-up at the rate of 6 months Kibor plus 1.5% and has a maturity date of August 25, 2009.

	Note	December 31, 2007 (Rupees)
<b>7.7 Pre-IPO subscription in TFCs</b>		
Pakistan Mobile Communication Limited		50,000,000
NIB Bank Limited		215,000,000
United Bank Limited		<u>50,000,000</u>
		<u><b>315,000,000</b></u>

## **PRELIMINARY EXPENSES AND FLOATATION**

### **8. COSTS**

Preliminary expenses and floatation costs incurred	8.1	<b>5,000,000</b>
Less: amortization during the period		<u><b>(358,510)</b></u>
		<u><b>4,641,490</b></u>

**8.1** The preliminary expenses and floatation costs represent initial listing fee, legal and professional charges, advertising and publicity and printing cost of trust deed and offering document and the authorization fee of the Fund .As noted in note 4.13 to these financial statements the above are being amortised over a period of five years, as per the trust deed of the Fund.

### **9. REMUNERATION OF THE MANAGEMENT COMPANY**

The Management Company is entitled to receive management fee upto a maximum of 3 percent of NAV (Net Assets Value) of the Fund, in accordance with Regulation 70 of the Regulations, on account of services rendered. However, management fee is charged at the rate of 1.5 percent of the NAV per annum as disclosed in the offering document.

**December 31, 2007**  
**(Rupees)**

**10. ACCRUED EXPENSES AND OTHER LIABILITIES**

Sales load payable	7,814,385
Preliminary expenses and floatation costs payable	5,000,000
Dividend payable in respect of securities under Continuous Funding System	1,352,650
Payable to brokers	122,352
Auditor's remuneration	149,050
Rating fee	63,718
NCCPL charges	13,662
Others	15,000
	<b>14,530,817</b>

**11. Commitments**

11.1 CFS transactions entered into by the Fund in respect of which settlement date is after period end	<b>20,982,838</b>
11.2 Commitment in respect of pre-IPO purchase of TFCs	<b>170,000,000</b>

**12. EARNINGS PER UNIT**

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

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

Connected persons include BMA Asset Management Company Limited (the Management Company), BMA Capital Management Limited (the holding company of the Management Company), Muslim Commercial Financial Services (private) Limited (the Trustee), Al Abbas Sugar Mills Limited (common directorship) and directors of the Management Company. Transactions with the connected persons during the period are as follows:

	<b>For the period from July 25, 2007 to December 31, 2007</b>	<b>Quarter ended December 31, 2007</b>
	------(Rupees)-----	
<b>Transaction with connected person / related parties</b>		
<b>- BMA Asset Management Company Limited (the Management Company)</b>		
Remuneration to the Management Company	<b>8,627,564</b>	<b>6,891,174</b>
<b>- BMA Capital Management Limited (the holding company of the Management Company)</b>		
Issue of units (13,930,541 Units)	<b>140,205,252</b>	<b>140,205,252</b>
Redemption of units (6,986,730 Units)	<b>70,471,786</b>	<b>70,471,786</b>
<b>- Muddassar Malik – Chief Executive</b>		
Issue of units (9,998 Units)	<b>100,000</b>	<b>-</b>

**Muslim Commercial Financial Services (private) Limited  
– the Trustee**

Trustee fee	<u>608,604</u>	<u>481,572</u>
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**Al-Abbas Sugar Mills Limited**

TFCs income	<u>595,063</u>	<u>595,063</u>
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Investment in TFCs	<u>45,000,000</u>	<u>45,000,000</u>
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December 31,  
2007  
(Rupees)

**Balances with connected persons /related parties**

**- BMA Asset Management Company Limited (the Management Company)**

Remuneration payable to Management Company	<u>2,897,584</u>
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Preliminary expenses and floatation costs due to Management Company	<u>5,000,000</u>
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**- BMA Capital Management Limited (the holding company of the Management Company)**

Units held (6,943,811 units)	<u>71,610,131</u>
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**- Muddassar Malik – Chief Executive**

Units held (9,998 units)	<u>100,000</u>
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**Muslim Commercial Financial Services (private) Limited  
– the Trustee**

Remuneration payable to Trustee	<u>190,015</u>
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**14. DATE OF AUTHORIZATION**

These interim condensed financial statements have been authorised for issue by the Board of Directors of the Management Company on \_February 20, 2008.\_\_\_\_\_

**15. GENERAL**

**15.1** Quarterly figures in the interim condensed financial statements were not subject to limited scope review by the auditors, as the scope of review checked only the cumulative figures for the period ended December 31, 2007.

**15.2** Being the first accounting period of the Fund, there are no comparative figures to report.

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

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

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

**Muddassar Malik  
Chief Executive  
Officer**

**Farrukh Hussain Khan  
Director**