

CONTENTS

FUND'S INFORMATION	1
MISSION STATEMENT	2
REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY.....	3
REPORT OF THE FUND MANAGER.....	6
KEY FINANCIAL DATA.....	7
REPORT OF THE TRUSTEE TO THE UNIT HOLDERS.....	8
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	9
REVIEW REPORT TO THE UNIT HOLDERS.....	11
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS.....	12
STATEMENT OF ASSETS AND LIABILITIES.....	13
INCOME STATEMENT.....	14
CASH FLOW STATEMENT	15
STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND.....	16
DISTRIBUTION STATEMENT	17
STATEMENT OF COMPREHENSIVE INCOME.....	18
NOTES TO THE FINANCIAL STATEMENTS.....	19
SUPPLEMENTARY NON FINANCIAL INFORMATION AS REQUIRED UNDER SECTION 6(D), (F), (G), (I) AND (J) OF THE FIFTH SCHEDULE TO THE NBFC REGULATIONS 2008.....	33
PATTERN OF UNIT HOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE	34

FUND'S INFORMATION

Management Company

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

Board of Directors of the Management Company

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

Company Secretary & CFO of the Management Company

Mr. Muhammad Amir Iqbal

Audit Committee of the Management Company

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

Trustee

MCB Financial Services Limited
Trustee Office 3rd 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
Allied Bank Limited

Distributors

BMA Financial Services Limited

Auditors

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

Legal Adviser

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

Registrar

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

Management Quality Rating

AM2- by JCR VIS Credit Rating Company Limited

MISSION STATEMENT

The BMA 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 period ended June 30, 2010.

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 is concentrated in AA rated banks and short duration sovereign rated securities, which enable the fund to earn consistent risk adjusted returns. The Fund was launched on 12 November 2009 and aims to consistently beat its benchmark, which is the 3 month deposit rate offered by AA rated banks, while maintaining adequate liquidity and superior credit quality. All investment returns obtained from the Fund are exempt for capital gains, withholding and income tax.

FUND'S FINANCIAL PERFORMANCE

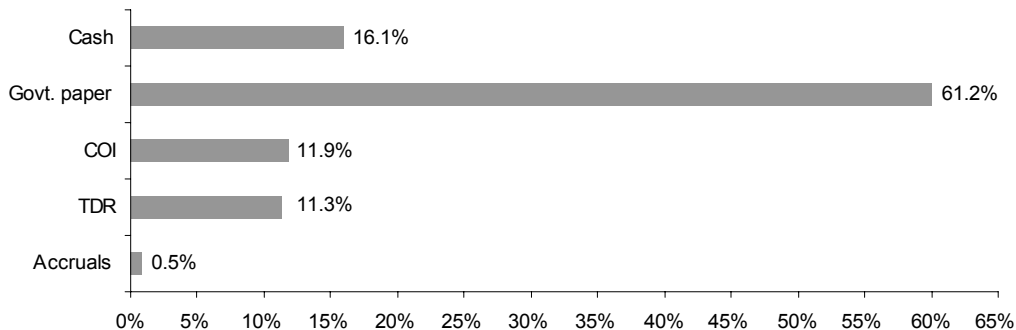
For the period ended June 30, 2010 the Fund earned PKR56.3 mn from income on investments, bank balances and term deposits. In addition the fund booked element of income from the issue and redemption of units which totalled PKR8.4 mn. Total income thus came to PKR64.1 mn.

Expenses for the period totalled PKR8.8 mn and consisted of PKR0.8 mn remuneration to the trustee of the fund, PKR0.3 mn fee to the SECP and PKR6.5 mn remuneration to the management company. As a result net income for the period was PKR55.4 mn.

Financial highlights	June 30, 2010
	Rupees
Mark up/interest income	56,282,577
Element of income	8,425,387
Total Income	64,142,622
Expenses	8,785,067
Net Income	55,357,555
Net Asset Value per unit (Rupees)	10.65

As of 30 June the total assets of the Fund were PKR840.9 mn, of which 16.1% was held as cash, while 11.3% was placed in Term Deposits with AA rated banks, 11.9% in Certificates of Investments with Development Financial Institutions and 61.2% allocated to sovereign rated Treasury Bills. The portfolio duration as of 30 June was 80 days, which is consistent with the Fund's stated investment strategy of maintaining duration under 90 days.

Asset Allocation [30.06.10]



RETURN DURING THE PERIOD FOR INVESTORS

During the 6M period ended 30 June 2010, the fund generated an annualized return of 10.57% for investors, while inception to date return was 10.41%. The Fund also distributed PKR0.6/unit in dividends for the period ended 30 June 2010.

MACROECONOMIC OUTLOOK

In a surprise move the SBP increased the discount rate in Jul10 by 50bps to 13.0%. This was against market expectations and caused secondary market yields to immediately jump by 30bps-40bps as fears over further monetary tightening in Fiscal Year 2011 escalated.

Inflationary pressures are expected to resurge in the wake of Ramadan, elimination of power tariff subsidies and increase in international prices for wheat. Moreover the worst floods in 80 years have affected nearly 15 million people, caused infrastructural damage and compromised agricultural output. Supply side constraints and food inflation are expected to keep the consumer price index above 12.5% for the next quarter.

With government spending expected to spike after the floods and international aid flows uncertain, budgetary borrowing from the SBP and scheduled banks will cause monetary expansion while draining liquidity away from the system. Private sector crowding out at this point seems inevitable, as the increase in systemic risk, pushes borrowing rates even higher. Large scale manufacturing, which is already plagued by electricity shortages, circular debt and a poor law and order situation will take a hit and directly affect GDP growth in FY11.

While FX reserves are at a comfortable USD16.5bn and the current account deficit dropped by 60% during FY10, the external deficits are expected to expand on the back of resurgent import demand. As a consequence the PKR has shown consistent weakness against the USD and is expected to steadily depreciate to a level of 90-91 by Jun11.

With upside risks to the discount rate increasing, the SBP may be forced to tighten its monetary stance again during FY11. While a higher discount rate will not dampen inflationary pressures emanating from supply side constraints and fiscal haemorrhaging, being in an IMF program limits the options available to policy makers.

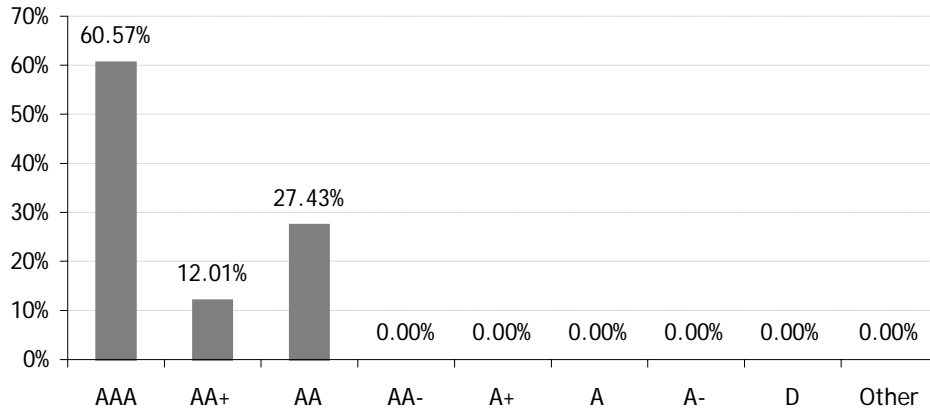
STRATEGY

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

The fund will continue to actively participate in the T bill auctions, which accounts for the significant increase in exposure to sovereign rated securities.

With the SBP moving pre-emptively to tighten the monetary stance, upside risk to interest rates has increased significantly. The Fund will thus be aiming to shorten duration and limit investment tenors to 90 days until clarity on external flows and the discount rate emerges.

Credit Quality [30.06.10]



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

Muddassar Malik

September 07, 2010

Chief Executive Officer



Annual Fund Report - 30 June 2010

NAV 10.65

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. 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.

Fund Details

Structure	Open End
Inception Date	12-Nov-09
Fund Stability Rating	AA+ f(JCR)
Management Quality Rating	AM2- (JCR)
Base Currency	PKR
Listing	KSE
Minimum Subscription in PKR	5,000
Benchmark	3M Bank Rate
Assets in PKR MLN [30.06.10]	840.9
NAV/unit in PKR [30.06.10]	10.65

Fee & Redemption Structure

Management Fee	1.50%
Front end Load	Up to 1.00%
Valuation Frequency	Daily

Manager Details & Service Provider

Fund Manager	Mustafa Pasha BMA Funds
Trustee	MCBFSL
Auditors	Ernst & Young Ford Rhodes Sidat Hyder
Transfer Agent	Technology Trade
Legal Advisors	KMS Law Associates

Subscription/Client Service Contact

Email	clientservice@bmafunds.com
Website	www.bmafunds.com
Phone	+92 21 111 262 111
SMS	Type "INVEST" and send to 2620
Toll Free	0800 00262

Fund Review Note

During FY10 (Nov09-Jun10) BECF generated an annualized return of 10.41% against the benchmark of 8.33%. AUMs stood at PKR840.9 mn an increase of 353.8% over Nov09. Portfolio duration was at 80 days, while standard deviation averaged 0.21% (during Nov09-Jun10) reflecting the low risk profile of the fund. The fund paid out a dividend of PKR0.6/unit for the year ended Jun30, 10.

Market & Economic Review

During FY10 the economy continued to recover from the shocks seen during 2008-09. Inflation bottomed out at 8.7% in Oct09, remittances hit a record high of USD8.9bn and the current account deficit declined by over 60% to USD3.5bn. With the PKR relatively stable and FX reserves climbing to USD16.8bn, the country seemed (with the help of the IMF) to be well on its way to sustaining macroeconomic stability.

However structural problems continued to plague the real sectors of the economy. The circular debt issue was never fully resolved and adversely affected power generation which in turn hampered industrial output. Monetary policy was compromised by fiscal indiscipline and

could not loosen policy to really kick start the economy. Since then the country has faced political turmoil and one of the worst natural disasters in history. The massive scale of the flooding is expected to negatively impact agricultural output, hit textile exports, increase government spending on rehabilitation and push up food prices.

Return Risk Statistics

Annualized Return [Inception]	10.41%
Annualized Return [CY10TD]	10.57%
Portfolio Duration	80 Days
Portfolio Standard Deviation	0.21%
Average 3M Deposit Rate	8.33%

Portfolio Credit Quality

AAA	AA+	AA	AA-	A+	A	A-	BBB+	Other
60.57%	12.01%	27.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

With international aid not forthcoming on the scale earlier envisaged in budget estimates and inflationary pressures resurgent, the SBP went into tightening mode. It increased the discount rate twice during Jul10 and Sep10 to 13.5%. GDP growth estimates for FY11 have been cut from 4.5% to 2.1%, while inflation is expected to average close to 15.0%. Policy makers must once again focus on consolidation and look to rebuild infrastructure to put the economy back on track.

Asset Allocation

During FY10 the Fund maintained an average exposure of 45.6% to T bills, 13.2% to COIs, 26.6% to TDRs and 23.9% to Cash. Though the Fund ended the year with a duration of 80 days it averaged almost 62 days during FY10. Portfolio credit quality remained strong with over 70% of the Fund classified as AA+ and above.

Investment Strategy

Given the current economic scenario of rising inflation and burgeoning fiscal deficit financing, rates are expected to continue rising over the next year. Keeping this in mind the Fund will be looking to maintain shorter duration and concentrate exposure in T bills of 90 days and less. In addition to maintain adequate liquidity and flexibility in strategy the Fund will be looking to maintain healthy cash levels. Deployments and money market placements will be made considering balance sheet strength, portfolio quality and credit quality.

Asset Allocation

Asset	Jun	Return
Term Deposits	11.3%	12.5%
COI	11.9%	12.3%
Reverse Repo	0.0%	0.0%
T bills	60.0%	12.3%
Accruals	0.9%	0.0%
Cash & Equivalents	15.9%	11.4%

KEY FINANCIAL DATA**PERFORMANCE TABLE**

	2010
	Rupees
Net Assets	840,875,409
Net asset value per unit	10.65
Dividend Distribution	0.60
Selling price for units	10.76
Repurchase price for units	10.65
Highest Offer price per unit	10.76
Lowest Offer price per unit	10.00
Highest Redemption price unit	10.65
Lowest Redemption price unit	10.00
Annual return (%)	10.41%
Weighted average portfolio duration	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.

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

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

BMA 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 (formerly: Muslim Commercial 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 period ended June 30, 2010 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, 2008; and the constitutive documents.

Karachi: August 18, 2010

Chief Executive Officer
MCB Financial Services Limited
(formerly: Muslim Commercial Financial Services Limited)

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

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 and directors representing minority interests on its Board of Directors. At present, the Board has seven non-executive directors, however none of them represent minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies (including this Fund).
3. All the resident directors of the Management Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBF1 or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred on the Board during the year ended June 30, 2010 due to the resignation of Mr.Farrukh H. Khan, Mr.Moazzam M. Malik, Mr.Mustafa Abdel Wadood and Mr.Arif Masood Naqvi. The casual vacancy was filled in within the stipulated timeline by Mr.Zahid Noorani, Mr.Tashfin I. Huq, Mr.Omer Syed and Mr.Abdullah Shahin.
5. The business of the Management Company is conducted in accordance with the "Statement of Ethics and Business Practices" signed by all the directors and employees.
6. The Board has developed a vision / mission statement and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant of the relevant laws applicable to the Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
11. The Board has approved the appointment of CFO, Company Secretary and M/s Yousuf Adil Saleem & Co. Chartered Accountants (Deloitte) as internal auditors, including their remuneration and terms and conditions of employment, as determined by Chief Executive Officer.
12. The Directors' Report of the Fund for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The directors, CEO and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Chief Executive Officer and CFO duly endorsed the financial statements of the Fund before approval of the Board
15. The Management Company has complied with all the significant corporate and financial reporting requirements of the Code relevant to the Fund.
16. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors.
17. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results and as required by the Code. The Terms of Reference of the Committee have been formed and advised to the committee for compliance.
18. The Management Company has outsourced the internal audit function to M/s Yousuf Adil Saleem & Co. Chartered Accountants (Delloite) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Fund confirmed that they have been given a satisfactory rating under Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by Institute of Chartered Accountants of Pakistan .
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

**For and on behalf of the
Board**

KARACHI: September 07, 2010

**Muddassar Malik
Chief Executive Officer**

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

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

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

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

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

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

Ernst & Young Ford Rhodes Sidat Hyder & Co.

KARACHI: September 07, 2010

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **BMA Empress Cash Fund (the Fund)**, which comprise the statement of assets and liabilities as at 30 June 2010, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the period from 7 August 2009 to 30 June 2010, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Other matters

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

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

KARACHI: September 07, 2010

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2010

	Note	30 June 2010 Rupees
ASSETS		
Bank balances	7	230,710,569
Investments	8	614,727,940
Mark-up / interest receivable	9	4,378,539
Preliminary expenses and floatation costs	10	2,639,489
Prepayments and other receivables		<u>57,173</u>
TOTAL ASSETS		852,513,710
LIABILITIES		
Remuneration payable to Management company	11	1,250,544
Remuneration payable to Trustee	12	125,503
Annual fee payable to Securities and Exchange Commission of Pakistan	13	326,690
Payable to unit holders against redemption of units		6,198,892
Accrued expenses and other liabilities	14	3,736,672
TOTAL LIABILITIES		11,638,301
CONTINGENCY	15	-
NET ASSETS		<u>840,875,409</u>
Unit holders' funds (as per statement attached)		<u>840,875,409</u>
Number of units in issue	16	<u>78,979,867</u>
Net Asset Value per unit	4.6	<u>10.65</u>

The annexed notes from 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 PERIOD FROM 07 AUGUST 2009 TO 30 JUNE 2010

	Note	30 June 2010 Rupees
INCOME		
Mark up / interest income on investments, bank balances and term deposits	17	56,282,577
Loss on sale of investments - net		(195,196)
Unrealized loss on investments at fair value through profit and loss		(370,146)
Element of income and capital gains included in prices of units issued less those in units redeemed - net		8,425,387
TOTAL INCOME		64,142,622
EXPENSES		
Remuneration of the Management Company	11	6,533,808
Remuneration of the Trustee	12	764,686
Annual fee to Securities and Exchange Commission of Pakistan	13	326,690
Brokerage expense		61,190
Amortisation of preliminary expenses and floatation costs		382,511
Auditors' remuneration	18	364,332
Listing fee		97,500
Mutual fund rating fee		123,624
Printing and stationery		70,795
Trustee participation fee		50,000
Bank charges		9,931
TOTAL EXPENSES		8,785,067
NET INCOME		55,357,555
EARNINGS PER UNIT	19	-

The annexed notes from 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 PERIOD FROM 07 AUGUST 2009 TO 30 JUNE 2010

CASH FLOWS FROM OPERATING ACTIVITIES	30 June 2010 Rupees
Net income for the period	55,357,555
Adjustments for:	
Mark up / interest income on investments, bank balances and term deposits	(56,282,577)
Loss on sale of investments – net	195,196
Unrealized loss on investments at fair value through profit and loss	370,146
Element of income and capital gains included in prices of units issued less those in units redeemed – net	(8,425,387)
Amortisation of preliminary expenses and floatation costs	382,511
	(63,760,111)
(Increase) / decrease in assets	
Proceeds from sale of securities	1,110,290,371
Markup / interest income received	27,618,080
Purchase of securities	(1,701,297,695)
Prepayments and other receivables	(57,173)
	(563,446,417)
Increase in liabilities	
Remuneration payable to management company	1,250,544
Remuneration payable to trustee company	125,503
Annual fee payable to Securities & Exchange Commission of Pakistan	326,690
Payable to unit holders against redemption of units	6,198,892
Accrued expenses and other liabilities	714,672
	8,616,301
Net cash used in operating activities	(563,232,672)
CASH FLOWS FROM FINANCING ACTIVITIES	
Receipts from issue of units	2,597,978,647
Payments for redemption of units	(1,804,035,406)
Net cash generated from financing activities	793,943,241
Net increase in cash and cash equivalents	230,710,569
Cash and cash equivalent at end of the period	230,710,569

The annexed notes from 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 HOLDER'S FUNDS
FOR THE PERIOD FROM 07 AUGUST 2009 TO 30 JUNE 2010

	30 June 2010 Rupees
Cash received on issuance of units*	2,597,978,647
Cash paid / payable on redemption of units**	(1,804,035,406)
	793,943,241
Element of income and capital gain included in prices of units issued less those in units redeemed – net	(8,425,387)
Net income for the period	55,357,555
Other comprehensive income for the period	-
Total comprehensive income for the period	55,357,555
Net assets at the end of the period [Rs. 10.65 per unit]	840,875,409

	Number of units
* Number of units issued including 428,079 bonus units	252,681,589
** Number of units redeemed	173,701,722

The annexed notes from 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 PERIOD FROM 07 AUGUST 2009 TO 30 JUNE 2010

	30 June 2010 Rupees
Net income for the period	55,357,555
Distribution of bonus units to Pre-IPO investors: 428,079 units dated 11 November 2009	(4,280,790)
Undistributed income carried forward [includes unrealized loss on investments of Rs. 370,146 realized loss on investments of Rs. 195,196]	<u>51,076,765</u>

The annexed notes from 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 PERIOD FROM 07 AUGUST 2009 TO 30 JUNE 2010

	30 June 2010 Rupees
Net income for the period	55,357,555
Other comprehensive income for the period	-
Total comprehensive income for the period	<u>55,357,555</u>

The annexed notes from 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 30 JUNE 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 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 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 Fund offered its units for public subscription from November 10, 2009 to November 11, 2009.
- 1.2 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.
- 1.3 The Fund is an open-ended money market 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.
- 1.4 The Fund is structured 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.
- 1.5 These are the first financial statements of the Fund for the period commencing from the date on which proceeds of units issued to the Core Investors and other investors have been received and transferred to the Trustee i.e. 07 August 2009. Accordingly, there are no comparative figures to report.
- 1.6 Title to the assets of the Fund is held in the name of MCB Financial Services Limited as a trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention, except for investments which are accounted for as stated in note 4.1.
- 3.2 These financial statements have been presented in Pakistan Rupees which is the functional and presentation currency of the Fund.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the period, the Fund has adopted the following significant policies:

4.1 Investments

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

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

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

The investments are classified in the following categories:

Investments at fair value through profit or loss

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

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. All derivatives are classified as held-for-trading. These are initially recorded at cost. Derivatives with positive fair values (unrealised gains) are included in assets and derivatives with negative fair values (unrealised losses) are included in liabilities in the statement of assets and liabilities.

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

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

Held to maturity

Investment with fixed maturities and fixed or determinable payments are classified as held to maturity investments when management has both the intent and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment.

Available for sale

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

Fair value of investments is determined as follows:

Government Securities

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

4.2 Provisioning Policy

To fulfill the requirement of SECP Circular No. 13 dated 04 May 2009 the BOD approved a comprehensive provisioning policy whereby the Investment Committee (IC) can make accelerated

provision against non-performing security after considering the financial difficulties of the issuer, probability of the borrower entering bankruptcy or financial reorganization, deterioration of key financial ratios, down grading of credit rating, measurable decrease in cash flows and industry outlook. The policy states:

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

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

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

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

4.3 Preliminary expenses and flotation costs

Preliminary expenses and floatation costs represent expenditures incurred for the incorporation of the Fund and are being amortised over a period of five years.

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 it. The offer price represents the net asset value per unit as of the close of the business day plus provision of duties and charges and provision of transaction costs and allowable sales load. The sales load is payable to the distribution company as processing fee.

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

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

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

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

4.6 Net asset value per unit

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

4.7 Revenue recognition

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

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

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

4.8 Cash and cash equivalents

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

4.9 Taxation

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

4.10 Financial instruments

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

4.11 Offsetting of financial assets and financial liabilities

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

4.12 Impairment

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

4.13 Provision

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

4.14 Distribution to unit holders

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

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

6. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

Standard, Interpretation or Amendments	Effective date (accounting periods beginning on or after)
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IFRS 2 - Share-based payment: Amendments relating to Group Cash-settled Share based payment transactions	01 January 2010
IFRIC 14 - IAS 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

7. BANK BALANCES

	Note	30 June 2010 (Rupees)
PLS savings account	7.1	135,710,569
Term deposit accounts	7.2	95,000,000
		<u>230,710,569</u>

7.1 These carry mark-up rates ranging from 4.89% to 11.35% per annum.

7.2 This account carries profit at the rate of 12.50% per annum with maturity in August 2010.

8. INVESTMENTS

	Note	30 June 2010 (Rupees)
Designated at fair value through profit or loss upon initial recognition		
- Government Securities	8.2	514,727,940
Held to maturity		
- Certificate of investment	8.3	100,000,000
		614,727,940

8.1 Cost of investment as at 30 June
615,098,086
8.2 Government Securities - T-Bills

Type of Instrument	Issue date	Tenor (months)	Face Value	(Quantity)				Fair Value as at 30 June 2010	Percentage of total investments on the basis of carrying value	Percentage of Net Assets on the basis of carrying value
				Purchases during the period	Sales during the period	Matured during the period	As at 30 June 2010			
							(Rupees)			
T-Bill	23-Apr-09	12	100	1,000,000	-	1,000,000	-	-	-	
T-Bill	23-Apr-09	12	100	750,000	-	750,000	-	-	-	
T-Bill	18-Jun-09	12	100	450,000	-	450,000	-	-	-	
T-Bill	26-Sep-09	3	100	300,000	-	300,000	-	-	-	
T-Bill	26-Sep-09	3	100	2,200,000	-	2,200,000	-	-	-	
T-Bill	26-Sept-09	6	100	500,000	-	500,000	-	-	-	
T-Bill	8-Oct-09	3	100	500,000	-	500,000	-	-	-	
T-Bill	3-Dec-09	6	100	500,000	-	500,000	-	-	-	
T-Bill	11-Feb-10	3	100	500,000	-	500,000	-	-	-	
T-Bill	11-Mar-10	3	100	1,500,000	1,000,000	500,000	-	-	-	
T-Bill	25-Mar-10	6	100	1,750,000	-	-	1,750,000	170,192,400	28%	
T-Bill	8-Apr-10	3	100	500,000	500,000	-	-	-	-	
T-Bill	8-Apr-10	6	100	500,000	-	-	500,000	48,402,300	8%	
T-Bill	9-Apr-10	12	100	500,000	-	500,000	-	-	-	
T-Bill	22-Apr-10	6	100	1,600,000	-	-	1,600,000	154,190,560	25%	
T-Bill	6-May-10	6	100	1,250,000	1,250,000	-	-	-	-	
T-Bill	20-May-10	6	100	750,000	750,000	-	-	-	-	
T-Bill	17-Jun-10	6	100	1,500,000	-	-	1,500,000	141,942,680	23%	
								514,727,940	84%	
									61%	

8.3 Held to Maturity

Certificate of Investment(COI)	Amount Invested (Rupees)	Yield	Issue Date	Maturity Date	Fair Value as at 30 June 2010	Percentage of total investments on the basis of carrying value	Percentage of Net Assets on the basis of carrying value
					(Rupees)		
Saudi Pak Industrial & Agricultural Investment Co. Ltd.	100,000,000	12.26%	22-Feb-10	6-Aug-10	<u>100,000,000</u>	16%	12%
					<u>100,000,000</u>		

8.4 Details of Non-compliant investments with the investment criteria of assigned category and constitutive documents

Name of non-compliant investment	Type of investment	Value of Investment before provision	Provision held if any	Value of investment after provision	% of Net Assets	% of Gross Assets
					(Rupees)	
Saudi Pak Industrial & Agricultura Investment Co. Ltd	COI	100,000,000	-	100,000,000	12%	12%

**30 June 2010
(Rupees)**

9. MARK-UP / INTEREST RECEIVABLE

On

- Bank accounts	13,018
- Term deposits	32,535

Investment

-Certificate of investment	<u>4,332,986</u>
	<u><u>4,378,539</u></u>

10. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred	3,022,000
Amortisation during the period	<u>(382,511)</u>
	<u><u>2,639,489</u></u>

10.1 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 authorisation fee of the Fund. The above are being amortised over a period of five years.

11. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY

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

12. REMUNERATION PAYABLE TO THE TRUSTEE

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

On net assets:

Up to Rs. 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 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

Any upward increase in Trustee remuneration would require SECP approval. However, any downward revision in the Trustee remuneration will not require such approval or amendment.

13. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP) This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay SECP an amount equal to 0.075% of the average daily net assets.

**30 June 2010
(Rupees)**

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	250,000
Brokerage payable	24,302
Sales load payable	78,475
Preliminary expenses and floatation costs payable	3,022,000
CDC listing fee	67,500
MCBFSL participation fees	50,000
Printing and stationery cost payable	34,395
Rating fees	175,000
Other payable	35,000
	<u>3,736,672</u>

15. CONTINGENCY

The Finance Act, 2008 introduced an amendment to the Workers Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the WWF Ordinance has become applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay 2% of their income to WWF (as defined in section 4 & 2(l) of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) has filed a constitutional petition in the High Court of Sindh (the Court) praying it to declare that CIS are not industrial establishments and as a result are not liable to pay contribution to WWF. However, the Court vide its order dated 25 May 2010, has dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its member as MUFAP is not the aggrieved party in respect of its members. Consequently, few CIS have filed constitution petitions.

Subsequent to the year end, the Ministry of Labour issued a letter and a clarification stating that WWF is not applicable to mutual funds. MUFAP on the basis of abovementioned events obtained a legal advice from its counsel who has advised that provision for WWF is not required and the constitutional petition filed by a few CIS should be withdrawn. In view of the above, the Management Company has not made a provision of WWF in the financial statements for the current year amounting to Rs. 1.1 million.

16. NUMBER OF UNITS IN ISSUE

The units in issue as at 30 June 2010 were as follows:

	30 June 2010	
	Units	Rupees
Class A	78,979,867	840,875,409
Class B	-	-
Class C	-	-
	<u>78,979,867</u>	<u>840,875,409</u>

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

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

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

	For the period from 07 August 2009 to 30 June 2010 (Rupees)
17. MARK UP/ INTEREST INCOME	
On	
- bank balances	15,556,212
- term deposits	12,107,416
- Investments	
Government Securities	24,285,963
Certificate of Investment	<u>4,332,986</u>
	<u><u>56,282,577</u></u>

	For the period from 07 August 2009 to 30 June 2010 (Rupees)
18. AUDITORS' REMUNERATION	
Annual audit	250,000
Half yearly review	100,000
Out of pocket expenses	<u>14,332</u>
	<u><u>364,332</u></u>

19. EARNINGS PER UNIT

Earning 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.

20. 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 and MCB Financial Services Limited (refer below for details). Transactions with connected persons can be summarised as follows:

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

	From 07 August 2009 to 30 June 2010	
	<u>(Units)</u>	<u>(Rupees)</u>
<u>Transactions for the period</u>		
<u>Units Sold to:</u>		
<i>Related parties (other than associated company)</i>		
-BMA Capital Management Limited – Staff Provident Fund	1,487,800	15,000,000
- Directors and executives of the management company	239,372	2,500,000
<i>Associated Companies</i>		
BMA Capital Management Limited	10,862,201	111,941,292
BMA Asset Management Co. Ltd.	40,310,511	418,088,434
BMA Financial Services Limited	47,850	500,000

Units Redeemed by:

Related parties (other than associated company)

-BMA Capital Management Limited – Staff Provident Fund	1,487,800	15,808,322
- Directors and executives of the management company	42,423	450,000

Associated Companies

BMA Capital Management Limited	8,421,476	87,275,551
BMA Asset Management Co. Ltd.	27,297,778	286,780,254
BMA Financial Services Limited	47,850	508,422

**Period ended
30 June 2010
(Rupees)**

Transactions with Associated Company

BMA Asset Management Company Limited		
- Remuneration to Management Company		6,533,808
- Sales load		64,311

Transactions with other related parties

Trustee fee

- Remuneration to Trustee		764,686
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**30 June 2010
(Units) (Rupees)**

Balances at the period end

Units Held by:

Other related parties

- Directors and executives of the management company	196,949	2,096,861
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Associated Companies

- BMA Capital Management Limited	2,440,725	25,985,669
- BMA Asset Management Company Limited	13,012,733	138,542,661

BMA Asset Management Company Limited

- Remuneration payable to Management company	-	1,250,544
- Formation cost payable	-	3,022,000
- Sales Load Payable	-	78,475

Balances with other parties – unsecured

Trustee

- Remuneration Payable to Trustee	-	125,503
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21. FINANCIAL RISK MANAGEMENT POLICIES

21.1 The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management company, the Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk (which includes interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds.

21.2 Market Risk

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

(i) Interest Rate Risk

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

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

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

	30 June 2010
	Rupees
Fixed rate instruments	
Government Securities	514,727,940
Certificate of Investment	100,000,000
Term Deposit Receipts	95,000,000
Variable rate instruments	
Bank Balances	135,659,576

The Management of the Fund estimates that 1% increase / (decrease) in the market interest rate/fair value, with all other factors remaining constant, would increase / (decrease) the Fund's net assets by;

	Increase / (decrease) in basis points	Sensitivity of interest income Increase/(decrease) ----- (Rupees) -----	Sensitivity of changes in fair value of investments Increase/(decrease) -----
2010	100	350,685	(1,589,221)
	(100)	(350,685)	1,599,764

(ii) Price risk

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

(iii) Foreign Currency Risk

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

21.3 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

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

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

30 June 2010	not later than one month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	----- Rupees -----					
Financial assets						
Bank balances	135,710,569	-	-	-	-	135,710,569
Term deposits	-	95,000,000	-	-	-	95,000,000
Investments	-	270,200,123	344,527,817	-	-	614,727,940
Mark-up / interest receivable	13,018	4,365,521	-	-	-	4,378,539
Sub-total	135,723,587	369,565,644	344,527,817	-	-	849,817,048
Financial liabilities						
Remuneration payable to the Management Company	1,250,544	-	-	-	-	1,250,544
Remuneration payable to the Trustee	125,503	-	-	-	-	125,503
Annual fee payable to the Securities and Exchange Commission of Pakistan	-	326,690	-	-	-	326,690
Payable against redemption of units	6,198,892	-	-	-	-	6,198,892
Accrued and other liabilities	1,097,183	-	-	2,639,489	-	3,736,672
Sub-total	8,672,122	326,690	-	2,639,489	-	11,638,301
Liquidity gap	127,051,465	369,238,954	344,527,817	(2,639,489)	-	838,178,747

21.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's credit risk is primarily attributable to its investment in term finance certificates, certificates of investment, term deposits and balances with banks. The credit risk on liquid fund is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies, offering document and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by an approved rating agency. The table below analyses the Fund's maximum exposure to credit risk:

	30 June 2010 (Rupees)
Investment in debt securities	100,000,000
Cash and cash equivalents	230,710,569
Mark-up / interest receivable	4,378,539

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

Rating by category

	30 June 2010
AAA	-
AA- to AA+	100.00%
Total	100.00%

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

Rating by category

30 June 2010

AAA	0.02%
AA- to AA+	99.98%
Total	100.00%

21.5 Capital management

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

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

	30 June 2010		
	Level 1	Level 2	Level 3
	----- (Rupees) -----		
Designated at fair value through profit or loss upon initial recognition			
- Government securities	-	514,727,940	-
	-	514,727,940	-

23. SUBSEQUENT EVENT

The Board of Directors of the Management Company, in their meeting held on 07 July 2010, have approved the distribution of bonus units of Rs. 0.60 per unit to the unit holders of the Fund for the period ended June 30, 2010 amounting to Rs.47.38 million.

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 07, 2010.

25. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee,

fund manager, meetings of the Board of Directors of the Management company and rating of the Fund and the Management company has been disclosed in Annexure I to the financial statements.

26. GENERAL

26.1 Figures have been rounded off to nearest rupee.

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

**Muddassar Malik
Chief Executive Officer**

**Tashfin I. Huq
Director**

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

(i) UNIT HOLDING PATTERN OF THE FUND

Category	Number of unit holders	Number of units held	Amount (Rupees)	% of Total
Individuals	64	16,883,900	179,757,914	21%
Associated companies / directors	1	196,949	2,096,861	1%
Insurance Companies	2	2,557,207	27,225,827	3%
Banks / DFIs	2	7,241,895	77,102,322	9%
NBFCs	3	14,907,877	158,719,783	19%
Retirement funds	9	3,861,888	41,116,392	5%
Others	15	33,330,151	354,856,310	42%
	<u>96</u>	<u>78,979,867</u>	<u>840,875,409</u>	

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

Name	Number of units held	Amount (Rupees)	% of Total
BMA Asset Management Company Ltd.	13,012,733	130,735,022	16%
HSBC Fund Services	9,411,499	94,554,507	12%

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

S.No.	Name	Percentage of commission paid
1	Global Securities Pakistan Limited	51%
2	Icon Securities	42%
3	KASB Securities	5%
4	JS Global Capital Limited	2%
	Total	100%

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

(iv) THE MEMBERS OF THE INVESTMENT COMMITTEE

Name	Designation	Qualification	Experience
Mr. Mudassar Malik	Chairman of Investment Committee / CEO	MBA, Finance & Corporate Strategy	18 Years
Ms. Iffat Z. Mankani	Chief Investment Officer	MBA, Finance	10 Years
Mr. Mustafa Pasha	Fund Manager	BA, Economics	3 Years

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

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

8	Meeting held on									
	October 2009	30 October 2009	07 November 2009	20 November 2009	11 February 2010	26 February 2010	29 April 2010	16 May 2010	2 June 2010	
Name of Director										
Mr. Arif Masood Naqvi	√	-	√	-	√	-	-	-	Resigned	
Mr. Waqar Hassan Siddiqui	-	-	√	√	-	√	√	-	-	
Mr. Mustafa Abdel Wadood	-	√	-	√	-	√	√	Resigned		
Mr. Thomas James Speechley	√	√	-	-	√	-	-	√	-	
Mr. Farrukh Hussain Khan	√	√	√	√	√	√	√	Resigned		
Mr. Moazzam Malik	√	√	√	√	√	√	√	Resigned		
Mr. Mohammed Iqbal	√	√	√	√	√	√	√	√	√	
Mr. Mudassar Malik	√	√	√	√	√	√	√	√	√	
Mr. Tashfin Huq	-	-	-	-	-	-	-	-	-	√
Mr. Zahid Noorani	-	-	-	-	-	-	-	-	-	√
Mr. Omer Syed	-	-	-	-	-	-	-	-	-	√
Mr. Abdullah Shahin	-	-	-	-	-	-	-	-	-	√

(vi) RATING OF THE FUND AND MANAGEMENT COMPANY

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

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

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

**Muddassar Malik
Chief Executive Officer**

**Tashfin I. Huq
Director**

**PATTERN OF UNIT HOLDING AS PER REQUIREMENTS OF CODE OF
CORPORATE GOVERNANCE
AS AT 30 JUNE 2010**

PARTICULARS	UNIT HOLDING
INDIVIDUALS	16,883,900
MANAGEMENT COMPANY	
BMA Asset Management Co Ltd	13,012,733
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	
BMA Capital Management Limited	2,440,725
NIT AND ICP	-
CHIEF EXECUTIVE	
Mr. Muddassar Malik	-
DIRECTORS	
Mr. Tashfin I. Huq	-
Mr. Zahid Qasim Noorani	-
Mr. Muhammad Iqbal	-
Mr. Abdullah Shahin	-
Mr. Thomas James Speechly	-
Mr. Omer Syed	-
Mr. Waqar Hassan Siddique	-
EXECUTIVES	196,949
PUBLIC SECTOR COMPANIES AND CORPORATIONS	-
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	9,253,521
SHAREHOLDING 10% OR MORE VOTING INTEREST	-
HSBC Fund Services	9,411,499
OTHERS	27,780,540
	78,979,867