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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. Muhammad Iqbal	Chairman
Mr. Muddassar Malik	Director
Mr. Tashfin I. Huq	Director
Mr. Salim Khan	Director
Mr. Adeel Ahmad Khan	Chief Executive Officer

### Audit Committee of the Management Company

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

### Human Resource and Remuneration Committee

Mr. Tashfin I. Huq	Chairman
Mr. Muhammad Iqbal	Member
Mr. Salim Khan	Director

### Management Team of the Management Company

Mr. Farrukh Hussain	Chief Investment Officer
Mr. Faisal Ali Khan	CFO & Company Secretary

### Trustee

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

### Bankers

Standard Chartered Bank (Pakistan) Limited  
KASB Bank Limited  
JS Bank Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
MCB Bank Limited  
Bank Alfalah Limited  
Silk Bank Limited  
Habib Bank Limited  
Askari Bank Limited  
Zarai Taraqiati Bank Limited

### Distributors

BMA Financial Services Limited	Icon Securities (Pvt) Ltd.
Pyramid Financial Consultants (Pvt) Limited	Rabia Fida
Topline Securities Limited	
Elixir Securities (Pvt) Limited	

### Auditors

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

### Legal Adviser

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

### Registrar

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

### Fund Stability Rating

A+(f)

### Management Quality Rating

AM3+

## **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 of BMA Chundrigar Road Savings Fund (BCSF), is pleased to present its report and financial statements of the Fund for the year ended June 30, 2014.

### **PROFILE**

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

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

During FY14, the Fund earned Rs. 24.29 million from income on investments, bank balances, term deposits and Margin Trading System. The fund also realized a gain of Rs. 0.35 million on investments and had an unrealized loss of Rs. 0.027 million. Thus the total income earned came to Rs. 24.62 million.

Total expenses for the period came to Rs. 7.1 million. This included remuneration to the trustee of the fund, fee to the SECP, and remuneration to the management company of Rs. 0.52 million, Rs. 0.19 million and Rs. 3.87 million, respectively. In addition, the fund booked an element of loss from the issue and redemption of units which totaled Rs. 0.68 million.

As a result the net income for the year was Rs. 16.80 million.

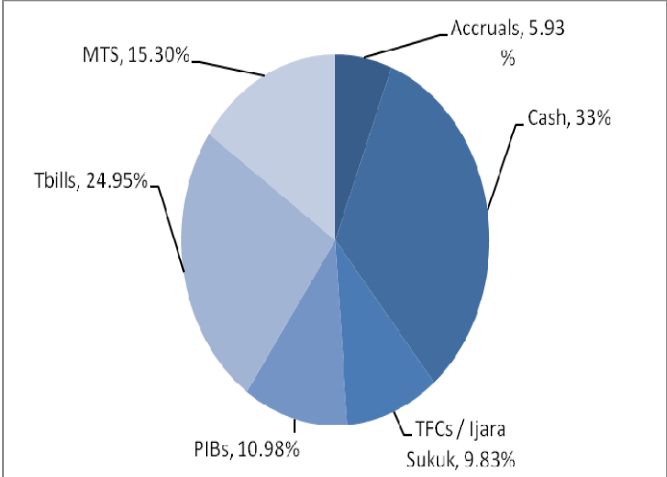
<b>Financial highlights</b>	<b>June 30, 2014</b>
	<b>Rupees</b>
Mark up/interest income	24,299,393
Gain / (Loss) on investments (NET)	352,940
Unrealized Gain / (Loss) on investments	(27,787)
<b>Total Income</b>	<b>24,624,546</b>
Expenses	(7,110,535)
Element of Income / (Loss)	(676,656)
Provision of Worker Welfare Fund	(37,726)
<b>Net Income</b>	<b>16,799,629</b>
Net Asset Value per unit (Rupees)	8.08

### **INVESTMENT STRATEGY**

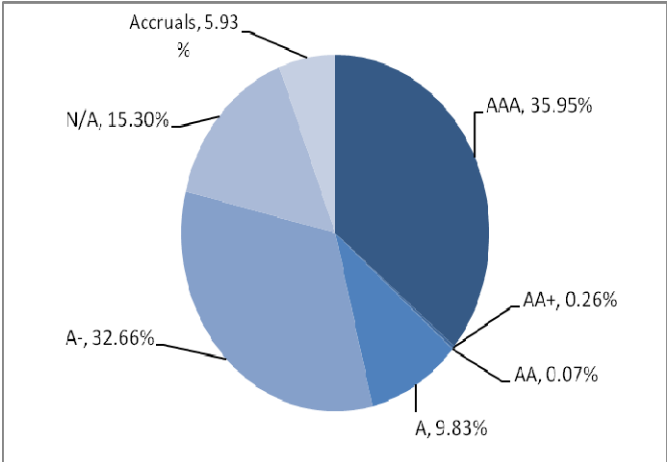
During the year, the fund aimed to maintain a majority of its exposure in shorter to medium term sovereign bonds, while selectively deploying assets in high yielding instruments. This enabled the fund to generate a competitive rate of return while retaining both liquidity and its ability to respond quickly in an uncertain macroeconomic environment. It also allowed management to pay out dividends on a monthly basis. As of 30<sup>th</sup> June, the portfolio duration of the fund was 43 days. This was done so that fund could derive the greatest benefit from the prevailing adjustments in yield curve.

As of June 30<sup>th</sup>, 2014, the net assets of the fund were Rs. 192.8 million, 33% of these assets were held in cash, 9.83% in TFCs and sukuk, 15.3% in MTS, 10.98% in PIBs, 24.95% in T bills, and 5.93% in accruals. In line with this asset allocation, the credit quality of the fund remained high with 36% allocated to sovereign rated debt, 0.26% to AA+, 0.07% to AA, 9.83% to A, 32.66% to A-, 5.93% in accruals, and 15.3% to unrated instruments.

**Asset Allocation as on June 30, 2014**



**Credit Quality: June 30, 2014**



**RETURN DURING THE PERIOD FOR INVESTORS**

During FY14 the Fund generated an annualized return of 7.70%. This performance is net of all expenses.

**RECENT DEVELOPMENTS**

The fund has been assigned to the aggressive income fund category. Thereafter, the fund has maintained its position in the top quartile on the back of high credit quality and liquidity profile. Moreover, 36% of net assets are rated AAA, as of June 30<sup>th</sup>, 2014, with a major allocation in medium to short term government papers and corporate bonds. Because of this, the fund’s ability to meet redemptions and remain flexible in an uncertain macroeconomic environment has improved tremendously.

## **MACROECONOMIC OUTLOOK**

FY 14 proved to be an unprecedented year in terms of economic recovery, specially control over inflation, economic growth picked up, improvement in tax collection, an increase in private sector credit, strong LSM growth, containment of fiscal deficit, strong worker remittances, successful launching of Euro Bond, auction of long pending 3G and 4G licenses, increase in foreign exchange reserves and comfortable real interest rate of 178bps and 138bps over Jun-14 and FY14 average inflation.

During FY14 SBP adopted a cautious monetary stance and policy rate moved in narrow band. The yearly CPI average for FY 14 was 8.62% slightly above the GoP target of 8% and the last year average of 7.36%. This is second consecutive single digit CPI inflation on YoY basis as FY12 CPI figure were 11%. Key factors keeping inflation in single digit primarily include; stable oil prices in FY14, appreciation of Pak Rupee, lower level of government borrowing, reduction in custom duties on some food items at the import stage and delay in increase of power and gas tariff.

We expect that upward adjustment in power and gas tariff, a weakness in PKR (incase of negatives associated with current political crises) and a spike in oil prices will be likely to increase inflationary pressure in FY15. We expect inflation for FY15 to be at 8.42%. We believe that any possible dip in CPI and stability at macroeconomic front would strengthen the case for DR cut in IHFY15, where we have assumed 50bps cut. However, in case of delay in resolution of political tensions, we cannot rule out continuation of status quo as SBP adopted in its last four MPS.

In FY 14, as per an independent source GDP growth is almost at the same level of FY13. However, as per Government estimate GDP growth for FY14 will be 4.4%. External account performance remained strong during FY14 and posted US\$3.8bn surplus, up 2.92x YoY. Higher Foreign Investment primarily from the proceeds of Eurobond issue has turned the financial account positive to US\$5.2bn from meager surplus of US\$345mn during the same period last year. Strong capital inflows from bilateral and multilateral sources further helped capital account surplus, which is up 5.9x YoY. Home remittances increased by 14% YoY to US\$ 15,832 mn during FY 14 as compared to US\$13,922 mn registered in same period last year. The Current account deficit for FY14 widened by 19% YoY while trade deficit jumped by 8% YoY. Trade deficit widened owing to restrained growth of 1.5% in exports while imports grew by 4%.

We believe that economic recovery will remain on track under the umbrella of IMF's standby arrangement program worth US\$6.7bn, the ongoing privatization program, the 4G spectrum auction, loans from World Bank, ADB and other bilateral and multilateral sources. However an early settlement of the prevailing political risk is quite indispensable for sustainable economic growth.

## **STRATEGY**

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

- Build exposure in high quality, medium to long term instruments, keeping in mind an appropriate risk/reward ratio.
- To transform portfolio allocation largely towards floating rate instruments to avoid interest rate risk.
- Increase duration with the intention of trading in fixed and floating rate instruments to take advantage of falling yields.
- Realize gains at the bottom of the interest rate cycle which we expect to occur during 2HCY14.

## Corporate and Financial Reporting Framework

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

The Board of Directors of the Management Company state that:

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

During the year the following trades in the units of the Fund were carried out by the Directors, CEO, CFO and their spouses and minor children:

	<b>No of Units</b>
Investment	39,300
Redemption	109,378

## Appointment of Auditors

The Board of Directors of BMA Asset Management Company Limited (the Management Company) have reappointed A.F.Ferguson & Co. Chartered Accountants, as the Fund's auditor for the year 2014-15 as recommended by the Audit Committee.

**Acknowledgement**

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

**For and on behalf of the  
Board**

**Karachi  
October 21, 2014**

**Adeel Ahmad Khan  
Chief Executive Officer**



For the Year Ended

June-14

NAV 8.0820

### Fund Returns

Annualized Return (Jun14)	11.52%
Benchmark (Jun14)	10.23%
Annualized Return (CY14)	9.45%
Benchmark (CY14)	10.37%
Annualized Return (FY14)	7.70%
Benchmark (FY14)	9.98%
Portfolio Standard Deviation	0.77%
1M KIBOR (Jun14)	10.23%
1M KIBOR Standard Deviation	3.41%

### Portfolio Characteristics

Net Assets in PKR MLN (30.06.14)	192.79
NAV/unit in PKR (30.06.14)	8.0820
Portfolio Duration (in days)	43

### Asset Allocation

	Jun	May
Cash	33.00%	16.04%
Placements	None	None
TFCs/ Ijara Sukuk	9.83%	8.05%
PIBs	10.98%	61.39%
T Bills	24.95%	8.14%
MTS	15.30%	1.72%
Accruals	5.93%	4.65%
Leverage	None	None

### Monthly Performance

Month	Return	Benchmark
June-14	11.52%	10.23%
May-14	3.76%	10.38%
April-14	13.05%	10.33%
March-14	12.29%	10.44%
February-14	7.87%	10.43%
January-14	7.22%	10.43%
December-13	9.31%	10.37%
November-13	5.84%	10.15%
October-13	6.57%	9.47%
September-13	8.03%	9.42%
August-13	5.48%	9.01%
July-13	-1.26%	9.08%

### Investment Committee

Adeel Ahmad Khan	Chief Executive Officer
Farrukh Hussain	Chief Investment Officer
Faisal Ali Khan	Chief Financial Officer
Syed Qamar Abbas	Fund Manager
Muneeb Sikandar	Risk Manager

### Fund Objective

The BMA Chundrigar Road Savings Fund 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 seek to maintain a rupee weighted average maturity for the investment portfolio of not more than 5 years.

### Fund Commentary

The fund posted an annualized return of 11.52% during the month under review as compared to the benchmark return of 10.23%, thus registering an outperformance of 1.29%. This outperformance is net of management fee and all other expenses. AUMs closed at PKR 192.79 mn. Portfolio and benchmark standard deviation were 0.77% and 3.41% respectively. Portfolio duration was at 43 days while the weighted average maturity was 195 days. The allocation of the fund is well diversified with 35.93% invested in government securities and the rest of the fund is deployed in high credit quality instruments. We are closely monitoring recent macro economic developments and rebalancing BCSF portfolio accordingly. As we are expecting monetary easing in 1HFY15, we will increase exposure in good credit quality fixed income instruments with good liquidity profile. During June, the fund declared a dividend of Rs. 0.07/unit, bringing FY14 payout to Rs. 0.535/unit.

### Fund Details

Fund Type	Open End
Category	Aggressive Income Fund
Inception Date	23-Aug-07
Benchmark	1M KIBOR
Dealing Days	Monday – Friday
Cut-off time	4:00 PM
Pricing Mechanism	Forward
Management Fee	1.50%
Front end Load	Upto 1%
Fund Stability Rating	A+ (F) (PACRA)
Risk Profile	Moderate
Listing	KSE
Trustee	MCBFSL
Auditor	A. F. Fergusons & Co.
Transfer Agent	Technology Trade
Legal Advisors	KMS Law Associates
Management Quality Rating	AM3+

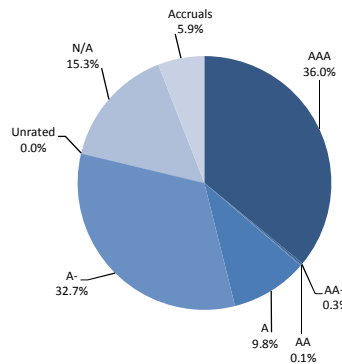
### Provisioned Investments

Name	Cost	Provision Held	Carrying Value	% of Net Assets	Portfolio Ratings	%
New Allied PPTFC	21.47 mn	21.47 mn	0.0 mn	0.00%	AAA	35.95%
New Allied Sukuk	4.72 mn	4.72 mn	0.0 mn	0.00%	AA+	0.26%
PACE TFC	19.98 mn	19.98 mn	0.0 mn	0.00%	AA	0.07%
					A	9.83%
					A-	32.66%

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

	9.83%	
Tameer Micro Finance Bank	9.83%	
	Unrated	0.00%
	N/A	15.30%
	Accruals	5.93%

### Portfolio Ratings Profile



### Economic Outlook

CPI inflation for June'14 clocked in at 8.22%YoY (+0.61% MoM) as compared to last month recording of 8.35%YoY, which is below market expectation of 8.4%-8.6%. Key drivers of increase in YoY inflation are; (1) higher food inflation driven by perishable food items and (2) surge in electricity charges. Inflation for FY14 averaged at 8.62% YoY as compared to CPI reading of 7.36% YoY in FY13. Core inflation measured by non-food non-energy CPI stayed at the same level of last month (8.7% YoY). We expect that inflationary pressure would remain on higher note in July due to impact of budgetary measures, recent hike in Gas prices and food price increase in Ramadan. Despite drastic improvement in economic variables, indicated by an increase in private sector credit, strong LSM growth, containment of fiscal deficit, reduction in inflation, increase in foreign exchange reserves and comfortable real interest rate of 178bps and 138bps over Jun-14 and FY14 average inflation, we believe that in July MPS State Bank would remain stick towards its cautious monetary stance because of possible adjustment in price levels.

The country's FX reserves continued its upward momentum and crossed the USD 14bn mark during the month of June. The increase in reserves is mainly due to arrival of foreign inflows of privatization proceeds, as well as payment from Multilateral and bilateral sources. Pakistan has received USD 556 million as the fourth installment of an IMF loan approved last year. We believe that upward trend would continue in FY15 due to planned foreign inflows set in budget FY15 and declining trend in debt servicing. Overseas Pakistani workers remitted USD 14.33bn in the first 11mths of the current fiscal year, up by 12.37% from USD 11.56bn received during the same period last year. Pakistan's current account deficit jumped to USD 2.577 billion, or equivalent to 1.1% of GDP in the eleven months of FY14. The current account deficit stood at USD2.157 billion in the same period last year. During the month the PKR was stable and depreciated by just 0.15% against the USD.

Disclosure: The scheme has started provisioning against the Workers' Welfare Fund (WWF) liability from 8th May, 2014 and has charged PKR 37,726 for the same. Scheme has not provisioned the amount of PKR 2,663,228 against the WWF liability for the period prior to 8th May 2014, if the same were made on 30th June, 2014 the NAV per unit/FY14 return of the Fund would be lower by Rs. 0.112/1.5%. For details please read note 14 of the latest financial statements.

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

### MUFAP Recommended Format

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

### Key Financial Data

#### PERFORMANCE TABLE

	2014	2013	2012	2011	2010	2009	2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Net Assets	192,795,609	349,456,851	383,227,121	119,152,494	356,015,482	1,154,725,161	3,430,251,475
Net asset value per unit	8.08	8.02	7.9	9.52	10.52	9.69	10.79
Dividend Distribution	0.54	0.89	-	-	1.12	-	0.77
Selling price for units	8.16	8.1	7.98	9.62	10.63	9.79	10.9
Repurchase price for units	8.08	8.02	7.9	9.52	10.52	9.69	10.79
Highest Offer price per unit	8.23	8.25	9.57	10.87	10.96	10.51	10.89
Lowest Offer price per unit	7.91	7.97	6.09	8.77	9.87	8.87	10
Highest Redemption price unit	8.15	8.17	9.48	10.76	10.85	10.41	10.79
Lowest Redemption price unit	7.83	7.89	6.03	8.68	9.77	8.78	10
Annual return (%)	7.70%	13.38%	-16.94%	1.32%	8.60%	-3.17%	9.28%
Weighted average portfolio duration	43 Days	92 Days	83 Days	5.56 yrs	4.42 yrs	3.08 yrs	2.52 yrs

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



# MCB FINANCIAL SERVICES LIMITED

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### BMA CHUNDRIGAR ROAD SAVINGS FUND

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

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

1. BMA Asset Management Company Limited, the Management Company of BMA Chundrigar Road Savings Fund, has in all material respects, managed BMA Chundrigar Road Savings Fund during the year ended June 30, 2014 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

Karachi: October 20, 2014

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board includes:

Category	Names
Independent Directors	Muhammad Iqbal
	Tashfin I Huq
	Salim Khan
Non-executive director	Muddassar Mazhar Malik
Executive Director	Adeel Ahmad Khan

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies (including this Fund).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board in April 2014 was filled up by the directors. Four casual vacancies occurred on the Board on May 16, 2013. None of the said vacancy has been filled to date while efforts are being made to fill the same.
5. The Management Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant of the relevant laws applicable to the Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. No training programs were arranged during the year.
10. The Board has approved the appointment of CFO, 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.
11. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The Chief Executive Officer and CFO duly endorsed the financial statements of the Fund before approval of the Board.
13. The directors, CEO and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the significant corporate and financial reporting requirements of the Code relevant to the Fund.
15. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results of the Fund as required by the Code. The Terms of Reference of the Committee have been formed and advised to the committee for compliance.
17. The board has formed a HR and Remuneration Committee comprising of three members, all of whom are non-executive members and the chairman of the committee is an independent director.
18. The Management Company has outsourced the internal audit function to M/s Yousuf Adil Saleem & Co. Chartered Accountants (Deloitte) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan .
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Fund's units, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. We confirm that all other material principles contained in the Code have been complied with except the following, toward which reasonable progress is being made by the Management Company to seek compliance by the end of next accounting year:
  - The Board of Directors have not placed a mechanism for annual evaluation of Board's own performance.

For and on behalf of the  
Board of Directors

Adeel Ahmad Khan  
Chief Executive Officer

Karachi: October 21, 2014

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of BMA Asset Management Company Limited, the Management Company of **BMA Chundrigar Road Savings Fund** (the Fund), for the year ended June 30, 2014 to comply with the requirements of Listing Regulation no. 35 (Chapter XI) of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures 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 of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the statement of Compliance:

Paragraph reference	Description
4	Four casual vacancies occurring on the Board during the year ended June 30, 2013 have not been filled within the time frame of 90 days, as required under clause (iii) of the Code.
9	The Management Company did not arrange any training program for its directors during the year, as required under clause (xi) of the Code.
23	The Board of Directors have not placed a mechanism for annual evaluation of the Board's own performance.



Chartered Accountants

Karachi

Dated: October 23, 2014

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

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of **BMA Chundrigar Road Savings Fund (hereinafter referred to as "the Fund")**, which comprise the statement of assets and liabilities as at June 30, 2014, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

**MANAGEMENT COMPANY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITORS' RESPONSIBILITY**

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

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

**OPINION**

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

  
Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: October 23, 2014

Karachi

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**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2014**

	Note	2014	2013
<b>ASSETS</b>			
		<b>Rupees</b>	
Bank balances	4	65,184,304	70,200,566
Investments	5	87,664,240	268,115,206
Receivable against marginal trading system	6	29,501,468	-
Profit receivable	7	8,761,133	9,545,110
Security deposit	9	2,950,000	2,700,000
Prepayments and other receivables		448,836	431,057
<b>Total assets</b>		<b>194,509,981</b>	<b>350,991,939</b>
<b>LIABILITIES</b>			
Payable to BMA Asset Management Company Limited - Management Company	10	944,024	606,988
Fee Payable to MCB Financial Services Limited - Trustee	11	33,698	52,984
Payable to the Securities and Exchange Commission of Pakistan	12	193,713	307,011
Dividend payable		8,822	10,082
Accrued expenses and other liabilities	13	534,115	558,023
<b>Total liabilities</b>		<b>1,714,372</b>	<b>1,535,088</b>
<b>NET ASSETS</b>		<b>192,795,609</b>	<b>349,456,851</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>192,795,609</b>	<b>349,456,851</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		
		<b>Number of units</b>	
<b>NUMBER OF UNITS IN ISSUE</b>	15	<b>23,854,589</b>	<b>43,581,690</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>	3.10	<b>8.08</b>	<b>8.02</b>

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

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

**Chief Executive Officer**

**Director**

**INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014	2013
		Rupees	
<b>INCOME</b>			
Capital gain on sale of investments - net		352,940	4,615,116
Income from term finance certificates and sukus		1,334,213	3,518,051
Income from government securities		15,897,893	28,599,450
Income from term deposit receipts		330,411	998,137
Income from letters of placement		188,407	1,461,829
Income from certificates of investment		777,142	3,986,610
Income from marginal trading system		1,221,749	-
Profit on bank deposits		3,917,728	3,918,799
Income from certificates of musharika	5.3	631,850	-
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.4	(27,787)	(22,360)
Other income		-	4,857,716
<b>Total income</b>		<b>24,624,546</b>	<b>51,933,348</b>
Reversal of provision held against non-performing money market placements		-	7,250,000
		<u>24,624,546</u>	<u>59,183,348</u>
<b>EXPENSES</b>			
Remuneration of BMA Asset Management Company Limited - Management Company	10.1	3,874,369	6,140,191
Sindh Sales Tax on Management Company's remuneration		619,899	982,430
Federal excise duty on remuneration of the Management Company	10.2	619,899	41,276
Remuneration of MCB Financial Services Limited - Trustee	11.1	517,251	734,472
Annual fee - Securities and Exchange Commission of Pakistan	12.1	193,713	307,010
Amortisation of preliminary expenses and floatation costs	8	-	147,795
Auditors' remuneration	16	433,049	464,981
Annual Listing fee		107,500	107,500
Rating fee		225,475	224,863
Printing charges		100,537	85,113
Brokerage expense		62,469	109,896
Professional charges		12,497	-
Settlement and bank charges		32,308	48,073
Marginal trading system charges		270,000	-
Other charges		41,569	5,417
<b>Total expenses</b>		<b>7,110,535</b>	<b>9,399,017</b>
<b>Net Income from operating activities</b>		<u>17,514,011</u>	<u>49,784,331</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed		(676,656)	(261,505)
Provision for Workers' Welfare Fund	13.1	(37,726)	-
<b>Net income for the year before taxation</b>		<u>16,799,629</u>	<u>49,522,826</u>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<u>16,799,629</u>	<u>49,522,826</u>
<b>Earnings per unit</b>	18	<u>-</u>	<u>-</u>

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

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

**Chief Executive Officer**

**Director**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	
Net income for the year after taxation	16,799,629	49,522,826
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>16,799,629</u></u>	<u><u>49,522,826</u></u>

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

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

**Chief Executive Officer**

**Director**

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	
Accumulated loss brought forward		
Realised loss	(96,555,734)	(100,540,349)
Unrealised loss	<u>(22,360)</u>	<u>(1,126,062)</u>
	<u>(96,578,094)</u>	<u>(101,666,411)</u>
Net income for the year after taxation	16,799,629	49,522,826
First interim distribution of Re. Nil per unit for the year ended June 30, 2014 (2013: Re. 0.05 per unit on July 30, 2012)	-	(2,425,952)
Second interim distribution of Re. 0.02 per unit on August 29, 2013 for the year ended June 30, 2014 (2013: Re. 0.05 per unit on August 30, 2012)	(810,097)	(3,268,562)
Third interim distribution of Re. 0.035 per unit on September 30, 2013 for the year ended June 30, 2014 (2013: Re. 0.2 per unit on September 27, 2012)	(1,187,891)	(9,177,625)
Fourth interim distribution of Re. 0.05 per unit on October 30, 2013 for the year ended June 30, 2014 (2013: Re. 0.07 per unit on October 31, 2012)	(1,647,060)	(3,093,118)
Fifth interim distribution of Re. 0.045 per unit on November 28, 2013 for the year ended June 30, 2014 (2013: Re. 0.05 per unit on November 29, 2012)	(1,429,752)	(2,239,722)
Sixth interim distribution of Re. 0.055 per unit on December 30, 2013 for the year ended June 30, 2014 (2013: Re. 0.09 per unit on December 28, 2012)	(1,643,185)	(5,630,853)
Seventh interim distribution at the rate of Re. 0.055 per unit on January 30, 2014 for the year ended June 30, 2014 (2013: Re. 0.07 per unit on January 30, 2013)	(1,551,645)	(4,465,576)
Eighth interim distribution at the rate of Re. 0.045 per unit on February 27, 2014 for the year ended June 30, 2014 (2013: Re. 0.03 per unit on February 26, 2013)	(1,074,295)	(1,971,172)
Ninth interim distribution at the rate of Re. 0.03 per unit on March 28, 2014 for the year ended June 30, 2014 (2013: Re. 0.03 per unit on March 28, 2013)	(696,358)	(1,718,131)
Tenth interim distribution at the rate of Re. 0.06 per unit on April 29, 2014 for the year ended June 30, 2014 (2013: Re. 0.07 per unit on April 30, 2013)	(1,502,434)	(2,817,486)
Eleventh interim distribution at the rate of Re. 0.07 per unit on May 29, 2014 for the year ended June 30, 2014 (2013: Re. 0.01 per unit on May 30, 2013)	(2,082,838)	(4,174,191)
Final distribution at the rate of Re. 0.07 per unit on June 27, 2014 for the year ended June 30, 2014 (2013: Re. 0.08 per unit on June 28, 2013)	<u>(1,655,522)</u>	<u>(3,452,121)</u>
	<u>(15,281,077)</u>	<u>(44,434,509)</u>
Accumulated loss carried forward	<u>(95,059,542)</u>	<u>(96,578,094)</u>
Accumulated loss comprising:		
- Realised loss	(95,031,755)	(96,555,734)
- Unrealised loss	<u>(27,787)</u>	<u>(22,360)</u>
	<u>(95,059,542)</u>	<u>(96,578,094)</u>

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

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

**Chief Executive Officer**

**Director**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014	2013
		Rupees	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year		16,799,629	49,522,826
<b>Adjustments for:</b>			
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss' - net	5.4	27,787	22,360
Reversal of provision held for impairment against investments		-	(7,250,000)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		676,656	261,505
Other income		-	(4,857,716)
Amortisation of preliminary expenses and floatation cost	8	-	147,795
Provision for Workers' Welfare Fund		37,726	-
		742,169	(11,676,056)
<b>Decrease / (increase) in assets</b>			
Prepayments and other receivables		(17,779)	(9,212)
Investments - net		180,423,179	96,736,253
Receivable against marginal trading system		(29,501,468)	-
Profit receivable		783,977	(1,236,624)
Security deposit		(250,000)	-
		151,437,909	95,490,417
<b>Increase / (decrease) in liabilities</b>			
Payable to BMA Asset Management Company Ltd - Management Company		337,036	(1,243,896)
Fee Payable to MCB Financial Services Limited - Trustee		(19,286)	(7,348)
Payable to the Securities and Exchange Commission of Pakistan		(113,298)	158,210
Dividend payable		(1,260)	10,082
Accrued expenses and other liabilities		(61,634)	35,980
		141,558	(1,046,972)
<b>Net cash generated from operating activities</b>		<u>169,121,265</u>	<u>132,290,215</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units		120,296,071	615,757,804
Payments on redemption of units		(294,433,598)	(699,312,405)
<b>Net cash used in financing activities</b>		<u>(174,137,527)</u>	<u>(83,554,601)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(5,016,262)</u>	<u>48,735,614</u>
Cash and cash equivalents at beginning of the year		70,200,566	21,464,952
<b>Cash and cash equivalents at end of the year</b>	4	<u><u>65,184,304</u></u>	<u><u>70,200,566</u></u>

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

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

**Chief Executive Officer**

**Director**

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	
Net Asset Value at the beginning of the year Rs 8.02 per unit (June 30, 2012: Rs 7.90 per unit)	349,456,851	383,227,121
Issue of 16,726,937 units (2013: 82,175,004 units) including 1,898,818 bonus units (2013: 5,561,575 units)	120,296,071	615,757,804
Redemption of 36,454,038 units (2013: 87,092,774 units)	(294,433,598)	(699,312,405)
	(174,137,527)	(83,554,601)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	676,656	261,505
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	(27,787)	(22,360)
Net Capital gain on sale of investments	352,940	4,615,116
Other income	16,474,476	44,930,070
Total comprehensive income for the year	16,799,629	49,522,826
Net Asset Value at the end of the year Rs. 8.08 per unit (June 30, 2013: Rs 8.02 per unit)	<u>192,795,609</u>	<u>349,456,851</u>

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

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

**Chief Executive Officer**

**Director**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

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

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

The Fund is an open-ended money market mutual fund listed on the Karachi Stock Exchange. Units of the fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering these to the Fund. The Fund is categorized as an 'Aggressive Fixed Income Scheme' as per the criteria laid down by SECP for categorization of Collective Investment Scheme (CISs).

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.

Pakistan Credit Rating Agency Limited has assigned a rating of A+(f) and AM3+ to the Fund and Management Company respectively.

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

**2 BASIS OF PREPARATION**

**2.1 Statement of Compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

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

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

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

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Funds operations and are therefore not detailed in these financial statements.

**2.4 Critical accounting estimates and judgments**

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

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies are as follows:

- (i) Classification and valuation of investments (note 3.2 and note 5) and
- (ii) Impairment of financial assets (note 3.2.5 and note 5)

## **2.5 Accounting Convention**

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value.

## **2.6 Functional and Presentation Currency**

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

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 Cash and cash equivalents**

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

### **3.2 Financial assets**

#### **3.2.1 Classification**

The Fund classifies its financial assets in the following categories:

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

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

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

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

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

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

#### **c) Available for sale**

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

#### **3.2.2 Regular way contracts**

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

### **3.2.3 Initial recognition and measurement**

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

### **3.2.4 Subsequent measurement**

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

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

##### **Basis of valuation of debt securities**

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its various circulars issued from time to time. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### **Basis of valuation of government securities**

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

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

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

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

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

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

### **3.2.5 Impairment**

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

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

Provision against non-performing debt securities is made in accordance with the provision criteria for non-performing debt securities specified by the SECP.

As allowed by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with a provisioning policy duly approved by the Board of Directors of the Management Company.

## **b) Loans and receivables**

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

### **3.2.6 Derecognition**

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

### **3.3 Financial liabilities**

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

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

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

### **3.5 Preliminary expenses and floatation costs**

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

### **3.6 Provisions**

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

### **3.7 Taxation**

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

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

### **3.8 Issue and redemption of units**

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

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

### **3.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed**

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

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is credited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net asset value and included in the sale proceeds of units. Upon redemption of units, the 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is debited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net asset value and included in the redemption price.

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' during the year is transferred to the 'income statement'.

### 3.10 Net asset value per unit

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

### 3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are accounted for in the year in which they arise.
- Unrealised (diminution) / appreciation on revaluation of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the year in which they arise.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Income from investments in Pakistan Investment Bonds is recognised on an accrual basis.
- Income from investments in term finance certificates is recognised on an accrual basis, except where recovery is doubtful in which case it is credited to suspense account.
- Profit on bank balances, term deposits, certificates of investment and letters of placement is recognised on an accrual basis.

	Note	2014	2013
		Rupees	
<b>4 BANK BALANCES</b>			
Savings accounts	4.1	<u>65,184,304</u>	<u>70,200,566</u>
4.1	Profit rates on these savings accounts range between 6% to 9.50% per annum (June 30, 2013: 6% to 8.40% per annum).		

	Note	2014	2013
		Rupees	
<b>5 INVESTMENTS</b>			
<b>Financial assets 'at fair value through profit or loss'</b>			
Term finance certificates and sukuks	5.1	18,935,400	5,684,007
Investment in government securities			
- Market Treasury Bills	5.2.1	48,219,232	177,431,199
- Pakistan Investment Bonds	5.2.2	20,509,608	-
		87,664,240	183,115,206
<b>Loans and receivables</b>			
Certificates of Investment		-	85,000,000
Certificates of Musharika	5.3	-	-
		<u>87,664,240</u>	<u>268,115,206</u>

## 5.1 Listed and Unlisted term finance certificates and sukus

Name of Security	(Number of Certificates)				Carrying value as at June 30, 2014	Market value as at June 30, 2014	Unrealised appreciation / (diminution)	Market value as a percentage of total investments	Market value as a percentage of net assets
	As at July 1, 2013	Purchased during the year	Sold during the year	As at June 30, 2014					

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

### Listed term finance certificates

Pace Pakistan Limited - February 15, 2008	4,000	-	-	4,000	-	-	-	-	-
Tameer Micro Finance Bank Limited - December 28, 2012	-	3,800	-	3,800	18,935,400	18,935,400	-	21.60%	9.82%

### Un-listed term finance certificates and sukuk

Kohat Cement Company Limited Sukuk Certificates - December 20, 2007	10,000	-	-	10,000	-	-	-	-	-
Maple leaf Cement Factory Limited Sukuk Certificates - December 3, 2007	-	2,300	2,300	-	-	-	-	-	-
<b>Cable and Electronics</b> New Allied Electronics (Private) Limited - May 15, 2007	10,000	-	-	10,000	-	-	-	-	-
New Allied Electronics (Private) Limited - Sukuk Certificate - July 27, 2007	16,000	-	-	16,000	-	-	-	-	-
<b>Total as at June 30, 2014</b>					<b>18,935,400</b>	<b>18,935,400</b>	<b>-</b>	<b>21.60%</b>	<b>9.82%</b>
<b>Total as at June 30, 2013</b>					<b>5,684,007</b>	<b>5,684,007</b>	<b>-</b>	<b>2.12%</b>	<b>1.63%</b>

### 5.1.1 Significant terms and conditions of term finance certificates and sukuk bonds outstanding at the year end are as follows:

Name of security	Number of certificates	Face Value	Mark-up rate (Per annum)	Maturity	Secured / unsecured	Rating
Pace Pakistan Limited (Issue date - February 15, 2008)	4,000	4,993	6 months KIBOR + 2%	February 15, 2017	Secured	NPA
Tameer Micro Finance Bank Limited (Issue date - December 28, 2012)	3,800	4,983	12.5%	December 28, 2014	Secured	A+ (SO)
Kohat Cement Company Limited (Issue date - December 20, 2007)	10,000	-	3 month KIBOR +1.5%	September 20, 2016	Secured	Non-rated
New Allied Electronics (Private) Limited (Issue date - May 15, 2007)	10,000	2,114	3 month KIBOR +2.75%	May 15, 2011	Secured	NPA
New Allied Electronics (Private) Limited (Issue date - July 27, 2007)	16,000	293	3 month KIBOR +2.6%	July 25, 2012	Secured	NPA

### 5.1.2 Securities listed below have been classified as non-performing in accordance with the SECP's Circular 1 of 2009 and the Fund's provisioning policy for non-performing exposures. Accordingly, the carrying values stated above have been arrived at after taking into account provisions as under:

### 5.1.3 Provision against term finance certificates and sukuk

Name of Security	June 30, 2014			June 30, 2013		
	Carrying value	Provision held	Net carrying value	Carrying value	Provision held	Net carrying value

Pace Pakistan Limited - February 15, 2008	13,434,200	13,434,200	-	13,434,200	13,434,200	-
New Allied Electronics (Private) Limited - May 15, 2007	21,472,757	21,472,757	-	21,472,757	21,472,757	-
New Allied Electronics (Private) Limited Sukuk - July 27, 2007	4,721,001	4,721,001	-	4,721,001	4,721,001	-
<b>Total</b>	<b>39,627,958</b>	<b>39,627,958</b>	<b>-</b>	<b>39,627,958</b>	<b>39,627,958</b>	<b>-</b>

## 5.2 Investment in Government securities - 'at fair value through profit or loss

### 5.2.1 Market Treasury Bills

Issue date	Tenor	Face Value					Balance as at June 30, 2014			Market value as a percentage of total investments	Market value as a percentage of net assets
		As at July 1, 2013	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2014	Carrying value	Market value	Unrealised appreciation / (diminution)		
------(Rupees)-----											
July 12, 2013	3 months	-	80,000,000	80,000,000	-	-	-	-	-	-	-
July 25, 2013	3 months	-	76,300,000	76,300,000	-	-	-	-	-	-	-
August 7, 2013	3 months	-	120,000,000	120,000,000	-	-	-	-	-	-	-
September 5, 2013	3 months	-	40,000,000	40,000,000	-	-	-	-	-	-	-
September 19, 2013	3 months	-	166,000,000	64,650,000	101,350,000	-	-	-	-	-	-
October 3, 2013	3 months	-	149,300,000	54,650,000	94,650,000	-	-	-	-	-	-
October 21, 2013	3 months	-	25,000,000	25,000,000	-	-	-	-	-	-	-
October 31, 2013	3 months	-	35,000,000	35,000,000	-	-	-	-	-	-	-
November 28, 2013	3 months	-	30,000,000	20,000,000	10,000,000	-	-	-	-	-	-
December 12, 2013	3 months	-	77,000,000	67,000,000	10,000,000	-	-	-	-	-	-
January 9, 2014	3 months	-	50,000,000	50,000,000	-	-	-	-	-	-	-
February 6, 2014	3 months	-	50,000,000	50,000,000	-	-	-	-	-	-	-
February 20, 2014	3 months	-	200,000,000	50,000,000	150,000,000	-	-	-	-	-	-
March 6, 2014	3 months	-	49,000,000	49,000,000	-	-	-	-	-	-	-
February 28, 2014	3 months	-	30,000,000	30,000,000	-	-	-	-	-	-	-
March 20, 2014	3 months	-	20,000,000	20,000,000	-	-	-	-	-	-	-
May 29, 2014	3 months	-	20,000,000	-	-	20,000,000	19,726,720	19,726,573	(147)	22.50%	10.23%
June 26, 2014	3 months	-	22,000,000	-	-	22,000,000	21,536,533	21,535,990	(543)	24.57%	11.17%
January 23, 2014	6 months	-	17,000,000	10,000,000	-	7,000,000	6,956,749	6,956,669	(80)	7.94%	3.61%
May 15, 2014	6 months	-	180,000,000	180,000,000	-	-	-	-	-	-	-
July 12, 2012	12 months	-	40,000,000	-	40,000,000	-	-	-	-	-	-
July 26, 2012	12 months	46,300,000	-	-	46,300,000	-	-	-	-	-	-
August 9, 2012	12 months	-	30,000,000	-	30,000,000	-	-	-	-	-	-
September 20, 2012	12 months	5,900,000	-	1,400,000	4,500,000	-	-	-	-	-	-
October 4, 2012	12 months	58,000,000	98,000,000	86,000,000	70,000,000	-	-	-	-	-	-
June 27, 2013	12 months	75,000,000	21,500,000	53,500,000	43,000,000	-	-	-	-	-	-
Total as at June 30, 2014							48,220,002	48,219,232	(770)	55.01%	25.01%
Total as at June 30, 2013							177,453,559	177,431,199	(22,360)	66.19%	50.77%

### 5.2.2 Pakistan Investment Bonds

Issue date	Tenor	Face Value					Balance as at June 30, 2014			Market value as a percentage of total investments	Market value as a percentage of net assets
		As at July 1, 2013	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2014	Carrying value	Market value	Unrealised appreciation / (diminution)		
------(Rupees)-----											
July 19, 2012	10 years	-	112,000,000	112,000,000	-	-	-	-	-	-	-
July 18, 2013	5 years	-	90,000,000	68,750,000	-	21,250,000	20,536,625	20,509,608	(27,017)	23.40%	10.64%
July 18, 2013	3 years	-	130,000,000	130,000,000	-	-	-	-	-	-	-
Total as at June 30, 2014							20,536,625	20,509,608	(27,017)	23.40%	10.64%
Total as at June 30, 2013							-	-	-	-	-

5.3 This certificate of musharika was purchased during the year. This carried markup at the rate of 10.25% per annum. Investment in certificate of musharika has matured during the year.

	Note	2014	2013
Rupees			
<b>5.4 Net unrealised diminution on remeasurement of investments classified as financial assets at 'fair value through profit or loss'</b>			
Market value of investments	5.1 and 5.2	87,664,240	183,115,206
Less: carrying value of investments	5.1 and 5.2	<u>(87,692,027)</u>	<u>(183,137,566)</u>
		<u>(27,787)</u>	<u>(22,360)</u>
<b>6 RECEIVABLE AGAINST MARGINAL TRADING SYSTEM</b>	6.1	<u>29,501,468</u>	<u>-</u>

6.1 The rates of return on these transactions range between 12% to 18% per annum with maturity ranging between overnight to 60 working days.

	Note	2014	2013
Rupees			
<b>7 PROFIT RECEIVABLE</b>			
Profit on bank deposits		352,363	374,423
Profit on sukuk certificate		7,173,776	6,967,866
Profit on certificates of investment		-	2,202,821
Profit on Pakistan investment bonds		1,081,159	-
Profit on marginal trading system		<u>153,835</u>	<u>-</u>
		<u>8,761,133</u>	<u>9,545,110</u>

**8 PRELIMINARY EXPENSES AND FLOATATION COSTS**

Opening balance	8.1	-	147,795
Amortisation during the year		<u>-</u>	<u>(147,795)</u>
Closing balance		<u>-</u>	<u>-</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and were being amortised over a period of five years as per the requirements set out in the Trust Deed.

	Note	2014	2013
Rupees			
<b>9 SECURITY DEPOSIT</b>			
Security deposit with:			
- Central Depository Company of Pakistan Limited		200,000	200,000
- National Clearing Company of Pakistan Limited		<u>2,750,000</u>	<u>2,500,000</u>
		<u>2,950,000</u>	<u>2,700,000</u>

**10 PAYABLE TO THE BMA ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY**

Remuneration of the Management Company	10.1	243,839	427,097
Sindh Sales Tax on Management Company's remuneration		39,010	68,333
Federal Excise Duty on Management Company's remuneration	10.2	661,175	41,276
Sales load payable to the Management Company		-	64,865
Other payables		<u>-</u>	<u>5,417</u>
		<u>944,024</u>	<u>606,988</u>

10.1 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 percent 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 percent of such assets of the Fund. The rate used by the Management company (and the Fund) is 1.5 % (2013: 1.5%) per annum of the average daily net assets of the Fund as disclosed in the offering document.

- 10.2** As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes, through a Constitutional Petition filed in the Honourable Sindh High Court (SHC) during September 2013 challenging the levy of FED. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending. However, the Fund, as a matter of abundant caution, has made full provision in respect of FED.

	Note	2014	2013
		Rupees	
<b>11 FEE PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE</b>			
	11.1	<u>33,698</u>	<u>52,984</u>

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2014 is as follows:

Net Assets	Tariff per annum
Up to Rs. 100 million	Rs. 0.2 million or 0.20% per annum of the Net Assets, whichever is higher
Exceeding Rs. 100 million to Rs. 200 million	Rs. 0.4 million or 0.20% per annum of the Net Assets, whichever is higher
Exceeding Rs. 200 million to Rs. 250 million	Rs. 0.5 million or 0.2% per annum of the Net Assets, whichever is higher
Exceeding Rs. 250 million to Rs. 500 million	Rs.0.5 million plus 0.15% per annum of the Net Assets exceeding Rs. 250 million
Exceeding Rs. 500 million to Rs. 1,000 million	Rs.0.875 million plus 0.08% per annum of the Net Assets exceeding Rs. 500 million
Exceeding Rs. 1,000 million to Rs. 2,000 million	Rs.1.275 million plus 0.08% per annum of the Net Assets exceeding Rs. 2,000 million

	Note	2014	2013
		Rupees	
<b>12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	12.1	<u>193,713</u>	<u>307,011</u>

- 12.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008,a collective investment scheme categorised as 'Aggressive Fixed Income Scheme' is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the scheme. The Fund has been classified as an Aggressive Fixed Income Scheme by the Management Company.

	Note	2014	2013
		Rupees	
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		336,475	408,533
Brokerage expense payable		16,092	21,245
Printing expense payable		44,750	29,471
Provision for Workers' Welfare Fund	13.1	37,726	-
Other payables		99,072	98,774
		<u>534,115</u>	<u>558,023</u>

### 13.1 Provision for Workers' Welfare Fund

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

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 15, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional Petition requesting the Court to dismiss the same. This response was contradictory to the earlier clarification issued by the Ministry. Show cause notices were then issued by the Federal Board of Revenue (FBR) to several mutual funds (CISs) / pension funds for the collection of WWF. In respect of such show cause notices, certain mutual funds (CISs) / pension funds have been granted stay by the Honorable SHC on the basis of the pending Constitutional Petition as referred to above.

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

In a recent judgment of May 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the constitution. For CISs and Pension Funds the issue of chargeability or otherwise of WWF levy to the CISs / Pension schemes, is currently, pending before the Honorable SHC.

The Management Company believes that the decision of the Honorable Lahore High Court will lend further support to the Constitutional Petition which is pending in the Honorable High Court of Sindh. Further, based on the opinion from the legal counsel of Mutual Funds Association of Pakistan (MUFAP), there are good chances for the Constitutional Petition to be decided in favor of the mutual funds. However, considering the open ended nature of the Fund, the Board of Directors (BoD) of the Management Company through the resolution by circulation dated July 15, 2014 have decided that accumulated unrecorded WWF provision from the date of its application till May 07, 2014 will be borne by the Management Company subject to the decision of the court. The BoD further resolved that with effect from May 08, 2014, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971.

The accumulated provision for WWF, which will be borne by the Management Company till May 07, 2014 amounted to Rs. 2.66 million. A provision amounting to Rs.0.04 million relating to the period after May 07, 2014 has been recorded by the Fund. Had the provision not been made, the net assets value of the Fund would have been higher by Rs 0.002 per unit.

### 14 CONTINGENCIES AND COMMITMENTS

There were no other contingencies and commitments outstanding as at June 30, 2014 and June 30, 2013.

15	NUMBER OF UNITS IN ISSUE	2014	2013
		Number of units	
	Total units in issue at the beginning of the year	43,581,690	48,499,460
	Add: units issued during the year	14,828,119	76,613,429
	Add: bonus units issued during the year	1,898,818	5,561,575
	Less: units redeemed during the year	36,454,038	87,092,774
	Total units in issue at the end of the year	<u>23,854,589</u>	<u>43,581,690</u>

	2014	2013
	Rupees	
<b>16 AUDITORS' REMUNERATION</b>		
Annual audit fee	275,000	275,000
Fee for review of half yearly financial statements	100,000	100,000
Fee for review of compliance with the requirement of the code of corporate governance	25,000	25,000
Certification in respect of CDC Regulations	-	20,000
Out of pocket expenses	33,049	44,981
	<u>433,049</u>	<u>464,981</u>

**17 TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management has distributed at least 90% of the aforementioned net accounting income earned by the Fund during the year to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**18 EARNINGS PER UNIT**

Earnings per unit (EPU) for the year ended June 30, 2014 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

**19 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

**19.1** Related parties / Connected persons comprise of BMA Asset Management Company Limited (the Management Company), BMA Empress Cash Fund, BMA Capital Management Limited (the holding company of the Management Company), BMA Financial Services Limited, BMA Funds Limited, MCB Financial Services Limited (Trustee), BMA Asset Management Company Limited - Staff Provident Fund, BMA Capital Management Limited - Staff Provident Fund, entities having 10% or more of the unit holding of the Fund and key management personnel of the Management Company.

**19.2** Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

**19.3** Details of transactions carried out by the Fund with related parties / connected persons during the year and balances with them as at year end are as follows:

	2014	2013
	Rupees	
<b>19.4 Transactions during the year</b>		
<b>BMA Asset Management Company Limited - Management Company</b>		
Issue of 6,297,832 units including bonus units (2013: 7,619,084 units)	41,150,000	41,000,000
Redemption of 9,221,927 units (2013: 7,912,698 units)	74,450,000	63,900,000
Remuneration for the year	3,874,369	6,140,191
Sindh Sales Tax on Management Company's remuneration	619,899	982,430
Federal Excise Duty on Management Company's remuneration	619,899	41,276
<b>BMA Capital Management Limited - holding company of Management Company</b>		
Issue of Nil units (2013: 3,025,401 units)	-	23,991,816
Redemption of 3,818 units (2013: 3,021,583 units)	30,573	24,400,125
Brokerage expense for the year	-	8,794

	2014	2013
	Rupees	
<b>BMA Funds Limited</b>		
Issue of Nil units (2013: 1,656,959 units)	-	13,012,939
Redemption of Nil units (2013: 3,289,797 units)	-	26,263,721
<b>BMA Asset Management Company Limited – Staff Provident Fund</b>		
Issue of 2,107 units including bonus units (2013: 48,035 units)	-	-
Redemption of 309,152 units (2013: 427,332 units)	2,491,582	3,412,425
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration for the year	517,251	734,472
<b>Directors and Key Executives</b>		
Issue of 42,348 units including bonus units (2013: 1,769,712 units)	76,000	14,176,205
Redemption of 120,749 units (2013: 1,870,496 units)	968,073	15,033,169

#### 19.5 Amounts / balances outstanding as at year end

<b>BMA Asset Management Company Limited - Management Company</b>		
Outstanding 19,306,699 units (2013: 22,230,794 units)	156,036,738	178,255,397
Management remuneration payable	243,839	427,097
Sindh Sales Tax payable on Management Company's remuneration	39,010	68,333
Federal Excise Duty on Management Company's remuneration	661,175	41,276
Sales Load Payable	-	64,865
Other payable	-	5,417
<b>BMA Capital Management Limited - holding company of Management Company</b>		
Outstanding Nil units (2013: 3,818 units)	-	30,614
<b>BMA Funds Limited</b>		
Outstanding 2 units (2013: 2 units)	20	19
<b>BMA Asset Management Company Limited – Staff Provident Fund</b>		
Outstanding Nil units (2013: 307,045 units)	-	2,462,010
<b>MCB Financial Services Limited - Trustee</b>		
Trustee Fee payable	33,698	52,984
<b>Directors and Key Executives</b>		
Outstanding 514,517 units (2013: 527,148 units)	4,158,327	4,226,888

#### 20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Adeel Ahmad Khan	Chief Executive Officer	MA Economics	14
2	Mr. Farrukh Hussain	Chief Investment Officer	MBA and Post Graduate Diploma in Banking and Finance	22
3	Mr. Qamar Abbas	Fund Manager	MSc Finance & MSc Physics	13
4	Faisal Ali Khan	Chief Financial Officer	ACA	10
5	Muneeb Sikandar	Risk Manager	ACCA	3

20.1 Mr. Qamar Abbas is also the fund manager of BMA Empress Cash Fund.

21 TRANSACTION WITH TOP TEN BROKERS/ DEALERS BY PERCENTAGE OF COMMISSION EXPENSED

	<b>2014</b> <b>(Percentage)</b>
1 Invest Capital Markets Limited	50.69%
2 Elixir Securities Pakistan (Private) Limited	18.92%
3 Invest One Market Limited	9.60%
4 Invest & Finance Securities Limited	5.51%
5 Icon Securities (Private) Limited	5.24%
6 Vector Capital (Private) Limited	4.32%
7 Global Securities Pakistan Limited	3.04%
8 JS Global Capital Limited	2.12%
9 Arif Habib Limited	0.56%
	<u>100.00%</u>
	<u>100.00%</u>
	<b>2013</b> <b>(Percentage)</b>
1 Invest Capital Markets Limited	38.35%
2 Invest & Finance Securities Limited	14.83%
3 Global Securities Pakistan Limited	13.50%
4 JS Global Capital Limited	11.48%
5 BMA Capital Management Limited	8.00%
6 Icon Securities (Private) Limited	7.90%
7 Invest One Market Limited	3.42%
8 KASB Securities Limited	2.52%
	<u>100.00%</u>
	<u>100.00%</u>

22 DETAILS OF PATTERN OF UNIT HOLDING

-----June 30, 2014-----				
Category	Number of unit holders	No. of units held	Investment amount	Percentage of total
				---(Rupees)---
Individuals	115	4,158,201	33,606,993	17.43%
Associated companies / directors	2	19,306,701	156,036,758	80.93%
Others	1	389,687	3,151,858	1.64%
	<u>118</u>	<u>23,854,589</u>	<u>192,795,609</u>	<u>100.00%</u>

-----June 30, 2013-----				
Category	Number of unit holders	No. of units held	Investment amount	Percentage of total
				---(Rupees)---
Individuals	146	12,241,638	98,158,751	28.09%
Associated companies / directors	4	22,541,567	180,748,040	51.72%
Banks / DFIs	1	5,209,919	41,775,382	11.95%
Retirement Funds	1	263,424	2,112,249	0.60%
Others	2	3,325,142	26,662,429	7.64%
	<u>154</u>	<u>43,581,690</u>	<u>349,456,851</u>	<u>100.00%</u>

## 23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The Board meetings were held on September 30, 2013, October 22, 2013, November 08, 2013, November 18, 2013, February 27, 2014, April 29, 2014 and May 08, 2014. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Meetings held on						
	September 30, 2013	October 22, 2013	November 8, 2013	November 18, 2013	February 27, 2014	April 29, 2014	May 8, 2014
Mr. Adeel Ahmed Khan	N/A	N/A	N/A	N/A	P	P	P
Mr. Tashfin I Huq	P	P	P	P	P	P	P
Mr. Zahid Noorani	L	L	L	L	L	N/A	N/A
Mr. Mohammed Iqbal	P	P	P	P	P	P	P
Mr. Muddassar Malik	P	P	P	P	P	P	P

P Present  
L Leave of absence  
L\* Without Leave of absence  
N/A Not serving as director on the date of meeting

## 24 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2014		
	Loans and receivables	At fair value through profit or loss	Total
	(Rupees)		
<b>Financial assets</b>			
Bank balances	65,184,304	-	65,184,304
Investments	-	87,664,240	87,664,240
Receivable against marginal trading system	29,501,468	-	29,501,468
Profit receivable	8,761,133	-	8,761,133
Security deposit	2,950,000	-	2,950,000
	<u>106,396,905</u>	<u>87,664,240</u>	<u>194,061,145</u>

	As at June 30, 2014		
	At fair value through profit or loss	Other financial liabilities	Total
	(Rupees)		
<b>Financial liabilities</b>			
Payable to BMA Asset Management Company Limited - Management Company	-	944,024	944,024
Fee Payable to MCB Financial Services Limited - Trustee	-	33,698	33,698
Dividend payable	-	8,822	8,822
Accrued expenses and other liabilities	-	496,389	496,389
	<u>-</u>	<u>1,482,933</u>	<u>1,482,933</u>

	As at June 30, 2013		
	Loans and receivables	At fair value through profit or loss	Total
	(Rupees)		
<b>Financial assets</b>			
Bank balances	70,200,566	-	70,200,566
Investments	85,000,000	183,115,206	268,115,206
Receivable against marginal trading system	-	-	-
Profit receivable	9,545,110	-	9,545,110
Security deposit	2,700,000	-	2,700,000
	<u>167,445,676</u>	<u>183,115,206</u>	<u>350,560,882</u>

	-----As at June 30, 2013-----		
	At fair value through profit or loss	Other financial liabilities	Total
	------(Rupees)-----		
<b>Financial liabilities</b>			
Payable to BMA Asset Management Company Limited - Management Company	-	606,988	606,988
Fee Payable to MCB Financial Services Limited - Trustee	-	52,984	52,984
Dividend Payable	-	10,082	10,082
Accrued expenses and other liabilities	-	558,023	558,023
	-	<u>1,228,077</u>	<u>1,228,077</u>

## 25 FINANCIAL RISK MANAGEMENT

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

### 25.1 Market risk

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

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

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

#### 25.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Presently, the fund is not exposed to currency risk as all transactions are carried out in Pak Rupees.

#### 25.1.2 Yield / Interest rate risk

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

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

As at June 30, 2014, the Fund did not hold any variable rate instruments and is not exposed to cash flow interest rate risk.

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

Fixed rates instruments held as at June 30, 2014 comprise of market treasury bills, Pakistan investment bonds and term finance certificates. The Fund's income from these securities is substantially independent of changes in market interest rates, except for changes if any as a result of fluctuation in respective fair values.

As at June 30, 2014, the fund holds, market treasury bills, Pakistan investment bonds and term finance certificates which are classified as financial assets at fair value through profit or loss expose the Fund to fair value interest rate risk. In case of 100 basis points increase / (decrease) in rates announced by the Financial Market Association of Pakistan on June 30, 2014, with all other variables held constant, the net income for the year and the net assets would be lower / higher by Rs 727,196 (2013: Rs 800,000).

The composition of the aforementioned Fund's investment portfolio and rates announced by the Financial Market Association are expected to change over time. Therefore, the sensitivity analysis is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

As at June 30, 2014					
Effective interest rate %	Exposed to Yield / Interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
On-balance sheet financial instruments					
Financial assets					
Bank balances	6.00 to 9.50	65,184,304	-	-	65,184,304
Investments	9.95 to 12.50	48,219,232	18,935,400	20,509,608	87,664,240
Receivable against marginal trading system	12.00 to 18.00	29,501,468	-	-	29,501,468
Profit receivable		-	-	8,761,133	8,761,133
Security deposit		-	-	2,950,000	2,950,000
		142,905,004	18,935,400	20,509,608	11,711,133
					194,061,145
Financial liabilities					
Payable BMA Asset Management Company Limited - Management Company		-	-	944,024	944,024
Fee Payable to MCB Financial Services Limited - Trustee		-	-	33,698	33,698
Dividend payable		-	-	8,822	8,822
Accrued expenses and other liabilities		-	-	571,841	571,841
		-	-	1,558,385	1,558,385
<b>On-balance sheet gap (a)</b>		<b>142,905,004</b>	<b>18,935,400</b>	<b>20,509,608</b>	<b>10,152,748</b>
					<b>192,502,760</b>
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap (b)					
		-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>142,905,004</b>	<b>18,935,400</b>	<b>20,509,608</b>	
<b>Cumulative interest rate sensitivity gap</b>		<b>142,905,004</b>	<b>161,840,404</b>	<b>182,350,012</b>	

As at June 30, 2013					
Effective interest rate %	Exposed to Yield / Interest rate risk			Not exposed to yield/ interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
On-balance sheet financial instruments					
Financial assets					
Bank balances	6.00 to 8.40	70,200,566	-	-	70,200,566
Investments	8.96 to 10.99	85,000,000	177,431,199	5,684,007	268,115,206
Receivable against marginal trading system		-	-	-	-
Profit receivable		-	-	9,545,110	9,545,110
Security deposit		-	-	2,700,000	2,700,000
		155,200,566	177,431,199	5,684,007	12,245,110
					350,560,882
Financial liabilities					
Payable BMA Asset Management Company Limited - Management Company		-	-	606,988	606,988
Fee Payable to MCB Financial Services Limited - Trustee		-	-	52,984	52,984
Dividend Payable		-	-	10,082	10,082
Accrued expenses and other liabilities		-	-	558,023	558,023
		-	-	1,228,077	1,228,077
<b>On-balance sheet gap (a)</b>		<b>155,200,566</b>	<b>177,431,199</b>	<b>5,684,007</b>	<b>11,017,033</b>
					<b>349,332,805</b>
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap (b)					
		-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>155,200,566</b>	<b>177,431,199</b>	<b>5,684,007</b>	
<b>Cumulative interest rate sensitivity gap</b>		<b>155,200,566</b>	<b>332,631,765</b>	<b>338,315,772</b>	

### 25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Presently, the Fund does not hold any security which exposes the Fund to price risk.

### 25.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfil their obligations in respect of financial instrument contracts is generally limited to the principal amount and accrued income thereon.

The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

The analysis below summarises the credit quality of the Fund's financial assets :

Bank balances by rating category		Rating Agency	2014	2013
			Percentage	
<b>Short term</b>				
	A1+ / A-1+	PACRA / JCR- VIS	4.15%	100%
	A1	PACRA	0.01%	-
	A-3	JCR- VIS	95.84%	-
<b>Long term</b>				
	A-	JCR - VIS	95.84%	-
	AA	PACRA / JCR - VIS	0.20%	12%
	A+	PACRA	0.01%	-
	AA+	PACRA	3.92%	88%
	AAA	PACRA / JCR - VIS	0.03%	-
<b>Loans and Receivables by rating category</b>				
<b>Short term</b>				
	A1+ / A-1+	PACRA	-	100%
<b>Long term</b>				
	AA+	PACRA	-	53%
	AA	PACRA	-	47%
<b>Term finance certificates and sukuk by rating category</b>				
	Non - rated	PACRA	-	100%
	A+ (SO)	JCR- VIS	100%	-

#### 25.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's policy is to maintain a diversified portfolio of financial assets and to enter into transactions with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the Funds concentration of credit risk by industrial distribution:

Sector	Exposure on the basis of net investment			
	June 30, 2014		June 30, 2013	
	Rupees	Percentage	Rupees	Percentage
Construction and materials	-	-	5,684,007	2.12%
Micro Finance Bank	18,935,400	21.60%	-	-
	18,935,400	21.60%	5,684,007	2.12%

## 25.2.2 Settlement risk

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

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

## 25.3 Liquidity risk

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

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

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

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

	----- As at June 30, 2014 -----			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees) -----			
<b>Financial liabilities</b>				
Payable to the BMA Asset Management Company Limited - Management Company	944,024	944,024	-	-
Fee Payable to MCB Financial Services Limited - Trustee	33,698	33,698	-	-
Dividend Payable	8,822	8,822	-	-
Accrued expenses and other liabilities	571,841	571,841	-	-
	<u>1,558,385</u>	<u>1,558,385</u>	<u>-</u>	<u>-</u>
	----- As at June 30, 2013 -----			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees) -----			
<b>Financial liabilities</b>				
Payable to the BMA Asset Management Company Limited - Management Company	606,988	606,988	-	-
Fee Payable to MCB Financial Services Limited - Trustee	52,984	52,984	-	-
Dividend Payable	10,082	10,082	-	-
Accrued expenses and other liabilities	558,023	558,023	-	-
	<u>1,228,077</u>	<u>1,228,077</u>	<u>-</u>	<u>-</u>



**28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on 21 October 2014 .

**29 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

**30 GENERAL**

Figures have been rounded off to the nearest rupee.

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

**Chief Executive Officer**

**Director**

**PATTERN OF UNIT HOLDING AS PER REQUIREMENTS OF CODE OF  
CORPORATE GOVERNANCE  
AS AT 30 JUNE 2014**

<b>PARTICULARS</b>	<b>UNIT HOLDING</b>
<b>INDIVIDUALS</b>	4,158,201
<b>Management Company</b> BMA Asset Management Co. Ltd	19,306,699
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>	
- BMA Capital Management Limited – Staff Provident Fund	-
- BMA Capital Management Limited	-
- BMA Funds Limited	2
<b>NIT AND ICP</b>	-
<b>CHIEF EXECUTIVE</b> Adeel Ahmad Khan	-
<b>DIRECTORS</b>	
Mr. Muddassar Malik	-
Mr. Muhammad Iqbal	-
Mr. Tashfin I. Huq	-
Mr. Zahid Qasim Noorani	-
<b>EXECUTIVES</b>	-
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	-
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>	-
<b>SHAREHOLDING 10% OR MORE VOTING INTEREST</b>	-
<b>OTHERS</b>	389,687
Total	<u><u>23,854,589</u></u>