

**NATIONAL ASSET MANAGEMENT
COMPANY LIMITED**

**ANNUAL
REPORT 2012**



NAMCO BALANCED FUND



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VISION

To be preferred choice
of investors seeking
long-term safety,
growth and
consistent returns

MISSION

To serve our valued clients in
realizing their investment
objectives through offering
efficient, transparent and
reliable range of investment
management alternatives and
to maximize their satisfaction
by combining pragmatic
application of risk
management techniques,
state of the art technology
and dedicated team of
professionals committed to
achieve excellence.



ORGANIZATION

Management Company

National Asset Management Company Limited

Principal Office : 19-C, Sunset Lane 6, South Park Avenue,
Phase-II Ext., D.H.A., Karachi, Pakistan.

PABX: 0092-21-35312416-19, Fax: 0092-21-35395924, website: www.namco.com.pk, email: info@namco.com.pk

Registered Office: 179-B, Abu Bakar Block, New Garden Town, Lahore, Pakistan.

PABX: 0092-42-35843721-27, Fax: 0092-42-35843730

Board of Directors

Lt. General (Retd.) M. Hamid Khan	Chairman
Mr. Malik Shahid Mahmood	Chief Executive
Mr. Shafiq A. Khan	Director
Justice (Retd.) M. Javed Buttar	Director
Mr. Mubarik Ali	Director
Mr. Shazib Masud	Director

CFO & Company Secretary

Mr. Muhammad Faraz

Audit Committee

Mr. Shafiq A. Khan	Chairman
Justice (Retd.) M. Javed Buttar	Member
Lt. General (Retd.) M. Hamid Khan	Member

Auditors'

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust,
Building No. 2 Beaumont Road,
Karachi, 75530 Pakistan.

Legal Advisors

KMS Law Associates
207, Beaumont Plaza, Karachi.

Bankers

NIB Bank Limited
Bank of Punjab
Bank Al Falah Limited
Faysal Bank Limited
Burj Bank Limited
Silk Bank Limited
Askari Bank Limited
Summit Bank Limited

Registrar

Technology Trade (Pvt.) Ltd.
241-C, Block-2, P.E.C.H.S.,
Off. Main Shahrah-e-Quaideen



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of National Asset Management Company Limited, the Management Company of NAMCO Balanced Fund, is pleased to present the accounts of NAMCO Balanced Fund (NBF) for the year ended June 30, 2012.

ECONOMIC REVIEW

Despite continued macro-economic challenges throughout the year, the year under review (July '11-June '12) could be classified as a mixed bag for the economy and capital markets as some of the key macroeconomic indicators have depicted positive trend during the period under review despite having growing fiscal challenges.

The external account, which was the top performing sector during the previous year, couldn't maintain its positive trend during FY12 owing to widening trade deficit on the back of lower cotton and higher oil prices despite having record-high workers' remittances. During the year, export dipped by 3% while imports grew by 12% causing the overall trade deficit to widen to around US\$ 15.4 billion, 46% higher YoY. Despite record high level of workers' remittances flow of US\$ 13.2 billion, higher trade and income deficit caused the current account balance to post a deficit of US\$ 4.5 billion as against a surplus of US\$ 0.21 billion last year. Given higher current account deficit coupled with meager financial account flows, country's balance of payment position declined significantly during the year by around US\$ 3.3 billion - taking the FX reserves down to a level of US\$ 15.3 billion, while also causing sizeable depreciation of 10% in the PKR-USD exchange rate during the year.

Inflationary pressures, on the other hand, have remained largely on the lower side during the period with YoY CPI Inflation averaging 11.0% amid change in CPI methodology as well as high base-effect of last year. Moreover, real economy has shown a relatively improved picture during the year with FY12 real GDP growth stood at 3.7%, slightly higher than the revised GDP growth of 3.0% during the last year.

EQUITY MARKET REVIEW

FY'12 has been another adventurous year for local equity market to post double digit return with relatively better daily volumes. During the said period, total volumes of the equity market reached to 129 million shares compared to average volumes of 95 million shares last year. During the year, KSE-100 index reached the level of 14,600pts (witnessed after 4 Years) on account of promulgation of tax immensity schemes related to documentation for source of income. However, after the budgetary developments and intense internal political situation, index failed to sustain the levels above 14,000 and closed at the level of 13,800pts during FY'12.

If we segregate the KSE-100 index performance into two halves (6 month basis), during 1HFY'12 the market remained very volatile and posted negative 6% return with low average daily volumes of 62 million shares. Absence of liquidity, extremely volatile global economic situation depressed equity markets and weak domestic economic & geo-political condition were the main reasons for muted performance of the equity market during 1HFY'12. However, during 2HFY'12 (Jan-Jun) the market bounced back strongly and posted 22% returns with better daily average volumes of 196 million shares due to CGT excitement. On accumulated basis KSE-100 Index posted the return of 10.4%YoY during FY'12. During the process of promulgation Capital Gain Tax ordinance 2012, equity market witnessed quite healthier activity however after its amalgamation market witnessed significant drop in volumes.

FUND PERFORMANCE

For the year ended June 30, 2012, gross revenue of Rs. 156.68 million (2011: Rs. 177.07 million). This comprised of realized gain of Rs. 88.23 million (2011: Rs. 114.16 million), dividend income of Rs. 24.85 million (2011 Rs. 24.13 million), income on investments and bank deposits of Rs. 31.52 million (2011 Rs. 38.78 million) and income from marginal trading of Rs. 4.46 million. Diminution on re-measurement of investments classified as held for trading was Rs. -68.05 million (2011 Rs. -47.05 million). During the year, Fund has also provided provisioning of Rs. 25.4 million against the loan and receivable from Invest Capital Investment Bank.



Expenses for the year accounted Rs 36.64 million (2011 Rs. 27.63 million). Thus, the Net Income for the year ended June 30, 2012 accounted Rs 24.35 million (2011: Rs. 85.97 million). Earning per certificate for the year under review worked out to Re. 0.23. The net asset of the Fund witnessed an increase of 3.21% during the year to reach a figure of Rs. 790.82 million as on June 30, 2012 as compared to Rs. 766.21 million on June 30, 2011. Net Asset Value per certificate stands at Rs. 7.32 on June 30, 2012.

The Board of Directors has approved a bonus distribution of 2.10% i.e. 0.21 certificate for every 10 certificates held in NAMCO Balanced Fund for the year ended June 30, 2012.

For the most part for the year under review, we remained focused on the stocks that offer value. Going forward, we shall concentrate on high yield stocks and shall remain focused on stocks with growth potential and good payout history.

FUTURE OUTLOOK

Although medium term macroeconomic picture improved recently, single digit CPI inflation trend coupled with the release of US\$ 1.18 billion under Coalition Support Fund by the US does provide a short term breather thereby creates a potential room for monetary easing by the State Bank of Pakistan in the upcoming monetary policy announcement. We continue to emphasize that the realization of sizeable foreign inflows holds the key in rejuvenating economic engine.

We believe that the political arena would turn noisy on the back of election year ahead as well as continued confrontation between government and judiciary. Global economic environment would remain jittery in the near term, which could provide further hiccups to the international as well as local equity markets. However, expectation of monetary easing by the SBP in the upcoming monetary policy on the back of decreasing inflation as well as release of CSF payment should support the bull-run in the market in the near term while any major deterioration in key macro-indicators going forward could have a toll on the market performance. Strong earnings growth, sizeable discount to regional markets, high dividend yield and relatively cheaper PE valuations warrant decent returns for long term investors in our view.

Managing Company Ratings

JCR-VIS Credit Rating Company Limited has maintained the management quality rating of AM3 minus for National Asset Management Company Limited (NAMCO) the investment advisor of NBF. A 'Positive' outlook has been assigned to the MQ rating in view of developments as regards strengthening of the management team to establish in-house business development and business management capabilities. The AM3 minus rating is categorized as "Good Quality Management", which reflects NAMCO's capability to meet high quality objectives in its management functions. We are also pleased to inform our investors that JCR-VIS Credit Rating Company has also reaffirmed MFR 3-Star ranking to NAMCO Balanced Fund which denotes average performance.

Compliance with the Code of Corporate Governance

In compliance with the Code of Corporate Governance, the Board of Directors declares that:

- * The financial statements present fairly the state of the affairs of the Fund, the result of its operations cash flow and change in equity.
- * The Fund has maintained proper books of accounts
- * Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- * International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- * The system of internal control is sound in design and has been effectively implemented and monitored.



- * The Non-Banking Finance Companies and Notified Entities Regulations, 2008 notified by the SECP require under clause 65 of such regulations that a closed end fund shall, upon expiry of 5 years starting from 21 November 2007, hold a meeting of certificate holders to seek the approval of the certificate holders (by special resolution) to convert into an open end scheme or revoke the closed end scheme. The 5 years of the Fund will expire on 20 November 2012. The management company intends to hold a meeting of certificate holders to decide conversion, winding up or revocation of the Fund by passing a special resolution of certificate holders. However, we believe that the Fund will be continued in either form of the scheme.
- * There has been no material departure from the best practices of the corporate governance, as detailed in Karachi Stock Exchange listing regulations.
- * The statement showing trades in the certificates of the Fund carried out by the directors, CEO, CFO & Company secretary of the Asset Management Company and their spouses and minors children has been annexed on page no.07 (Annexure-A).
- * The statement showing the certificates held by directors, CEO and Company Secretary of National Asset Management Company Limited (The management company) and their spouses and minor children for the year ended June 30, 2012 has been annexed on page no.07 (Annexure-B).
- * The detailed pattern of certificate holdings as required by Code of Corporate Governance has been annexed on page no.08 (Annexure-C).

Board Meetings

During the year, four board meetings of the company were held. Mr. Malik Shahid Mahmood has been appointed as CEO in place of Mr. Mubarik Ali on 31st Board meeting held on 25 April 2012 and approval of SECP has been obtained on 11 June 2012. Shazib Masud appointed as a director on 30th Board meeting held on 28 February 2012 and replaced Mr. Aseer Ahmed Khan, who had resigned on February 28, 2012 as a director of the NAMCO. The details of the attendance by each director in the board meetings are as given below: -

Name	Designation	Total	Meetings Attended
Lt. General (Retd.) M. Hamid Khan	Chairman	4	4
Mr. Shafiq A. Khan	Director	4	4
Justice (Retd.) M. Javed Buttar	Director	4	-
Mr. Mubarik Ali	Director	4	4
Mr. Malik Shahid Mahmood	CEO	4	1
Mr. Shazib Masud	Director	4	1

Auditors

The present auditors, M/s KPMG Taseer Hadi & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee of the Investment Advisor in its meeting held on September 29, 2012 recommended their reappointment as auditors of the Fund for the year to be ended June 30, 2013.

Acknowledgements

The Board wishes to express its appreciation for the continued cooperation, support and guidance of Securities and Exchange Commission of Pakistan, Karachi Stock Exchange, National Clearing Company of Pakistan Limited, Trustee of the Fund as well as the brokers of the Fund.

The Board also appreciates the management team and staff members for their commitment and dedicated efforts, in achieving optimum results despite the difficult conditions obtaining in the economy and the market.

September 29, 2012
Lahore

Malik Shahid Mahmood
Chief Executive

**Annexure A**

Statement showing trade in the certificates of the Fund carried out by the directors, CEO, CFO and Company Secretary of the Asset Management Company and their spouses and minor children.

S. No.	Name	Designation	Purchase	Sale	Bonus
			(Number of certificates)		
1.	Lt. General (Retd.) M. Hamid Khan	Chairman	-	-	-
2.	Mr. Malik Shahid Mahmood	CEO	-	-	-
3.	Mr. Shafiq A. Khan	Director	-	-	-
4.	Justice (Retd.) M. Javed Buttar	Director	-	-	-
5.	Mr. Mubarik Ali	Director	-	-	-
6.	Mr. Shazib Masud	Director	-	-	-
7.	Mr. Muhammad Faraz	CFO & Company Secretary	-	-	40

Mr. Malik Shahid Mahmood has been appointed as CEO in place of Mr. Mubarik Ali on 31st Board meeting held on 25 April 2012 and approval of SECP has been obtained on 11 June 2012. Mr. Shazib Masud appointed as a director on 30th Board meeting held on 28 February 2012 and replaced Mr. Aseer Ahmed Khan, who had resigned on February 28, 2012 as a director of the NAMCO.

Annexure B

Statement showing certificates held by directors, CEO and Company Secretary of National Asset Management Company Limited (The Management Company) and their spouses and minor children for the year ended June 30, 2012.

S. No.	Name	Designation	Shares held
1.	Lt. General (Retd.) M. Hamid Khan	Chairman	-
2.	Mr. Malik Shahid Mahmood	CEO	-
3.	Mr. Shafiq A. Khan	Director	-
4.	Justice (Retd.) M. Javed Buttar	Director	-
5.	Mr. Mubarik Ali	Director	-
6.	Mr. Shazib Masud	Director	-
7.	Mr. Muhammad Faraz	CFO & Company Secretary	540

Mr. Malik Shahid Mahmood has been appointed as CEO in place of Mr. Mubarik Ali on 31st Board meeting held on 25 April 2012 and approval of SECP has been obtained on 11 June 2012. Mr. Shazib Masud appointed as a director on 30th Board meeting held on 28 February 2012 and replaced Mr. Aseer Ahmed Khan, who had resigned on February 28, 2012 as a director of the NAMCO.

**Annexure C**

Pattern of Certificate Holding of **NAMCO Balance Fund** as per requirement of Code of Corporate Governance as at June 30, 2012.

PATTERN OF CERTIFICATE HOLDING

Category	Certificates held	%
Associated Companies		
National Asset Management Company Limited	13,138,052	12.16%
Switch Securities (Pvt.) Limited	2,160,540	2.00%
First Pakistan Securities Limited	1,632,960	1.51%
First National Equities Limited	489,252	0.45%
Chief Executive		
Malik Shahid Mahmood	-	0.00%
Banks and Financial Institutions	36,663,144	33.95%
Foreign Investors	20,005,793	18.52%
Individuals	1,918,253	1.78%
Retirement Funds	20,419,020	18.91%
Other corporate sector entities	11,572,986	10.72%
TOTAL	108,000,000	100.00%

**SIX YEARS KEY FINANCIAL DATA AT A GLANCE**

	2012	2011	2010	2009	2008	Rs. Million Sep 16, 2006 to June 30, 2007
Total Income / (Loss)	60.99	113.60	136.61	(262.00)	16.88	173.06
Net Income / (Loss)	24.35	85.97	100.16	(289.56)	(25.21)	136.57
Total Assets	799.80	777.08	693.54	730.47	1,036.15	1,206.42
Net Assets	790.82	766.21	678.16	721.81	1,018.80	1,136.57
Certificate Capital	1,080	1,000	1,000	1,000	1,000	1,000
Earning per certificate (Rs.) (Restated)	0.23	0.80	0.93	-2.68	-0.23	1.26
Net Asset Value per certificate (Rs.) (Restated)	7.32	7.09	6.28	6.68	9.43	10.52
Cash Dividend (Rs.)	-	-	1.50	-	-	1.00
Cash Dividend (%)	-	-	15%	-	-	10%
Stock Dividend (%)	2.1%	8.0%	-	-	-	-



FUND MANAGER REPORT

NAMCO Balanced Fund (NBF) is a close end balanced fund. The objective of the NBF is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested in both diversified portfolio of representing equity and money market avenues such as TFCs, Sukuk, CODs, Govt. Securities, MTS etc. The fund aims to maximize total returns varying fund's allocations to fixed income and equity exposures in accordance with the economic condition and market scenario.

Key Information

Fund Type	Closed end
Category	Balanced Fund
Net Asset Value	Rs.790,821 Million
NAV per Certificate	Rs.7.32
Management Fee	2.00%
Trustee	MCB Financial Services
Auditor	KPMG Taseer Hadi & Co.
Listing	KSE
Benchmark	70% KSE-100 index and 30% 1 M KIBOR ASK

Equities Market Review

The local bourses gave an average performance with the KSE-100 index rising by about 10% in FY12 as against 29% return posted in FY11. Pakistan equity market, however, remained the 3rd best performing market in the region this year as well after Philippines and Thailand. KSE-100 Index made a depressing start with market shedding 13% during the first couple of months and made the yearly bottom at around 10,800 levels. Alongside negative returns, the market continued to remain dull with consistently low turnover through out the period remained indicative of investor's shyness towards equity asset class. Even a cumulative cut of 200 bps in DR by the SBP during the first half failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors. Global equities market went down significantly during the quarter, which also had an adverse impact on emerging and frontier markets including Pakistan. Other resistive forces that played a dampening role for the market were political unrest, worsened law and order situation, strained Pak-US relations, floods in Sindh and energy crisis. Foreigners were net seller during the first half with an outflow of US\$151 million.

After a depressing first half, the Capital Gains Tax amnesty came as a piece of fortune to the investors at the local equities market and the KSE-100 index surged by 22% during the latter half of the year under review. The expectation of reprieving CGT also waved a magic wand on the volumes too where 2HFY12 saw buoyant volumes while marking a 33-month high at 577mn shares traded in a day. Participation from retail investors also returned to the market during the latter part of this year where mid and small-cap stocks remained the highlights of market activities lately. After a significant sell-off during the first half, foreigners' also jumped on to the bandwagon during the latter half with a net inflow of US\$62 million. Macro economic factors remained challenging the KSE performance included sustained high oil and declining cotton prices resulting in higher trade deficit, lack of foreign flows as well IMF repayments depleted FX reserves and caused PKR to depreciate against the US\$ by around 10%.

On the positive front, the SBP remained in a monetary easing cycle with a cumulative reduction of 200 bps in the policy discount rate during the year - improving the fundamentals of debt-laden companies. Sector wise, Cements, Power and Autos outperformed the KSE-100 index while sectors like Chemicals, Textiles and Refineries remained among the underperformers.

Distribution

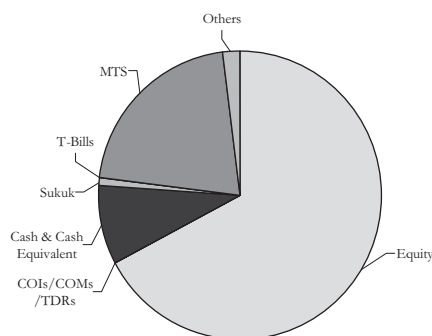
NBF distributed 2.10% bonus dividend for the year

Other Disclosures

The Management Company and / or any other of its delegate have not received any soft commission from its brokers / dealers by virtue of transactions conducted by the Fund.

Asset Allocations

	FY12	FY11
Equity	67.19%	62.30%
COIs/COMs/TDRs	0.05%	8.30%
Cash & Cash Equivalent	8.82%	22.10%
Sukuk	0.91%	0.00%
T-Bills	0.00%	6.30%
MTS	21.06%	0.00%
Others	1.97%	1.00%



FINANCIAL SERVICES	17.51%
CONSTRUCTION & MATERIALS	14.81%
BANKS	13.52%
CHEMICALS	9.15%
NON LIFE INSURANCE	4.49%
FOOD PRODUCERS	3.34%
ELECTRICITY	3.11%
OTHERS	1.26%
TOTAL	67.19%

Split of Shares

The Fund has not carried out any share split during the year.

Investment Committee Members

Mr. Malik Shahid Mahmood - CEO
 Mr. Muhammad Faraz - CFO & Company Secretary
 Mr. Faisal Merchant - CIO
 Mr. Muhammad Arshad - Fund Manager

**PERFORMANCE TABLE**

Performance Table		
Net Asset	30-Jun-12	30-Jun-11
Net Asset Value (Million Rs)	790.82	766.21
NAV per unit (Rs)	7.32	7.09
Highest NAV (Rs)	8.32	8.32
Lowest NAV (Rs)	6.91	6.64
Certificate Capital (Million Rs)	1,080	1,000
Net Income (Million Rs)	24.35	85.97

Distribution (Rs/Unit)	30-Jun-12	30-Jun-11
First Interim	-	-
Second Interim	-	-
Third Interim	-	-
Final	-	-
Total	-	-
Bonus (%)	2.10%	8.0%
Average Return for the Year (%)	3.08%	12.97%

CEO's MESSAGE

Dear Friend,

Every crisis throws up opportunities. Year 2012 has witnessed and will continue to witness significant shifts in the geo-political landscape across the world. Capital Markets, Business and Macro economic situation is undergoing unprecedented changes across the world. I am sure the events unfolding across Europe, USA and Asia will consume a lot of our attention. But, large, successful businesses also grab these opportunities to cement strong partnerships and be ready for the next economic growth cycle.



Malik Shahid Mahmood

The volatile capital markets coupled with several changes in regulatory framework for asset management companies have affected the growth momentum of the industry in Pakistan. Business models are being redrawn and the AMCs are focussing on offering best products and solutions to the customers. Within our organisation, we have managed our operations with discipline and strong oversight. With equity and fixed income funds, we have the basic product suite for retail and institutional customers. We currently have handsome investors. We also have the distinction of introducing several simple, innovative and customer friendly product features targeted at retail investors.

With the advent of technology and several initiatives by the Industry, investing through a mutual fund has been made simple and hassle free. Mutual Funds provide innovatively packaged solutions that you as an individual may not be able to enjoy if you choose to trade directly in the market.

As a part of the Pakistan asset management industry, we will strive towards inclusive financial participation from all sections of society. Customer friendly retail products with strong investment performance higher service standards and profitable growth will be our key to creating a leadership position in the future.

We look forward to your support at all times.



**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
OF CORPORATE GOVERNANCE TO THE CERTIFICATE HOLDERS
FOR THE YEAR ENDED 30 JUNE 2012**

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in regulation of Listing Regulations of the 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.

NAMCO Balanced Fund ("the Fund") is a closed end mutual fund and is listed at the Karachi Stock Exchange. The Fund does not have its own Board. The Board of Directors of the National Asset Management Company Limited ("the Management Company") manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of directors. At present the Board includes:

Category/Names	Names
Independent Directors	<ul style="list-style-type: none">• Lt.General M.Hamid Khan• Justice (Retd) M.Javed Buttar• Mr.Shafiq A.Khan• Mr.Shazib Masud
Executive Director	<ul style="list-style-type: none">• Mr.Malik Shahid Mahmood
Non-Executive Directors	<ul style="list-style-type: none">• Mr.Mubarik Ali

2. None of the directors is serving as a director on more than seven listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred during the year in the Board which was filled on the same date. The casual vacancy of the Chief Executive Officer who resigned on 11 October 2011 was filled by the Board on 25 April 2012.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures. The process of signing of such code of conduct by all Directors and employees of the Management Company is under process. However it has not been placed on the Company's website.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund which were approved. A complete record of particulars of significant policies along with the dates on which they were approved has been maintained. However, the management is considering adopting new and revising significant policies of the Fund which were approved in 2006 to incorporate new and additional requirements.
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 CEO and non-executive directors, have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman who is an independent non-executive director. 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 meetings. The minutes of the meetings were appropriately recorded and circulated.



9. No training programs /orientation courses were arranged for the directors during the year. The directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange. Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. The Management Company intends to facilitate further training for the directors in near future as defined in Code of Corporate Governance.
10. No new appointment of CFO and Company Secretary have been made during the year.
11. The Directors' report 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 financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the unit holding pattern of the Fund.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee which comprises three members and all of them are independent directors including the Chairman of the Committee. The Code requires that the Audit Committee of a listed company shall appoint a secretary of the committee who shall either be the Company Secretary or Head of Internal Audit. However, the present secretary of the Audit Committee is the CFO and the Company Secretary of the Management Company.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been formed and noted by the committee for compliance.
17. The Board has not formed an HR and Remuneration Committee
18. The Board has approved in their meeting held on 29 October 2011 an employee -Account Officer who is not considered suitably qualified and experienced, as an acting Internal Auditor till the appointment of suitable person as an internal auditor.
19. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.
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 Fund's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles contained in the Code have been complied with except for those stated above towards which reasonable progress is being made by the Management Company to seek compliance by the end of next accounting year.

September 29, 2012

Malik Shahid Mahmood
Chief Executive Officer



REPORT OF THE TRUSTEE TO THE CERTIFICATE HOLDERS

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

NAMCO Balanced Fund, a Close-end Scheme established under a Trust Deed dated April 17, 2006 executed between National Asset Management Company Limited, as the Management Company and First Dawood Investment Bank Limited, as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on May 03, 2006.

As per the Deed of change of Trustee and amendment of Trust Deed executed dated November 04, 2010 First Dawood Investment Bank Limited retired as the Trustee and MCB Financial Services Limited was appointed as the Trustee of NAMCO Balanced Fund

1. National Asset Management Company Limited, the Management Company of NAMCO Balanced Fund, has in all material respects managed NAMCO Balanced Fund, during the year ended 30th June 2012 in accordance with the provisions of the following:
 - (i) the limitations imposed on the Asset Management Company Limited 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) and any regulatory requirement

For the purpose of information, the attention of certificate holders is drawn towards auditor's report and note 1 to the financial statements which describe the uncertainties relating to the continuity of the Fund as close end as required by regulation 65 of NBFC Regulations 2008.

Further, the attention of certificate holders is also drawn towards auditor's report and note 13 to the financial statements which describe the uncertainties relating to the pending outcome of the litigation regarding contribution to Worker's Welfare Fund.

Karachi: September 29, 2012

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited



REVIEW REPORT TO THE CERTIFICATE HOLDERS OF NAMCO BALANCED FUND "THE FUND" ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of National Asset Management Company Limited, "the Management Company" of the Fund to comply with the Listing Regulation of 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. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Further Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

As more fully explained in paragraphs 4, 5, 6, 9, 15, 17 and 18 which describes inconsistencies in respect of casual vacancy of CEO, signing and placement of code of conduct on website, records of significant policies, training programs for directors, secretary of audit committee, formation of HR and remuneration committee and appointment of acting internal audit respectively towards which reasonable progress is being made by the Management Company.

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 Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.

Date: September 29, 2012

**KPMG Taseer Hadi & Co.
Chartered Accountants**

Karachi



INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **NAMCO Balanced Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2012 and the income statement, statement of comprehensive income, cash flow statement, distribution statement, statement of movement in equity and reserves per certificate and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation of the 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 the financial statements that is 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 auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of Matter

We draw attention to the following matters:

- Note 1 to the financial statements describes the uncertainties relating to the continuity of the Fund as closed end as required by regulation 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 notified by the SECP and the Management Company's actions in this respect.
- Note 13 to the financial statements describes the uncertainties relating to pending outcome of the litigation regarding contribution to workers' welfare fund.

Our opinion is not qualified in respect of the above stated matters.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: September 29, 2012

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem



STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2012

	<i>Note</i>	2012	2011
Assets			
Balances with banks	4	70,560,270	171,524,224
Investments	5	545,031,701	597,936,509
Receivable against Marginal Trading System	6	168,446,220	-
Receivable against sale of investments		9,939,098	955,937
Dividend and other receivables	7	2,722,364	3,984,993
Prepayments and security deposits	8	3,098,891	2,675,000
Total Assets		799,798,544	777,076,663
Liabilities			
Payable to National Asset Management Company Limited - Management Company	9	1,543,547	3,734,815
Payable to the Trustee	10	51,558	49,869
Payable to Securities and Exchange Commission of Pakistan	11	678,803	642,864
Unclaimed dividend		5,490,781	5,490,781
Accrued expenses and other liabilities	12	1,212,752	951,121
Total Liabilities		8,977,441	10,869,450
Contingency			
	13		
Net assets attributable to certificate holders	<i>Rupees</i>	790,821,103	766,207,213
Certificate capital and reserves			
Certificate capital	14	1,080,000,000	1,000,000,000
Unrealised appreciation on re-measurement of investments classified as 'available for sale' - net		8,535,887	8,276,697
Accumulated losses		(297,714,784)	(242,069,484)
Total certificate holders' fund	<i>Rupees</i>	790,821,103	766,207,213
			<i>(Restated)</i>
Net assets value per certificate	16 <i>Rupees</i>	7.32	7.09

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Director



INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
(Rupees)			
Income			
Capital gains on sale of investments - net		88,266,018	114,162,308
Income from marginal trading		4,458,943	-
Dividend income		24,848,610	24,129,338
Profit on investments and bank balances	15	31,522,897	38,777,928
Diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net		(68,051,927)	(47,054,780)
Impairment loss on investments classified as:			
- Available for sale		(2,239,075)	(6,416,088)
- Loans and receivables	5.3	(25,400,000)	-
Reversal / (provision) against non-performing investments classified as 'held to maturity'	5.4	7,585,938	(10,000,000)
		<u>60,991,404</u>	<u>113,598,706</u>
Expenses			
Remuneration to the Management Company		21,547,735	22,689,299
Remuneration to the Trustee		638,883	634,443
Annual Fee - Central Depository Company of Pakistan Limited		67,500	67,500
Annual fee - Securities and Exchange Commission of Pakistan Limited		678,803	642,863
Securities transaction costs		11,282,248	4,104,137
Auditors' remuneration		579,400	573,902
Annual listing fee		270,322	127,083
Bank charges		15,310	5,665
Legal and professional charges		340,301	120,000
Other expenses		1,216,202	710,902
Reversal of provision for workers' welfare fund	13	-	(2,044,004)
		<u>36,636,704</u>	<u>27,631,790</u>
Net income for the year		<u><u>24,354,700</u></u>	<u><u>85,966,916</u></u>
			<i>(Restated)</i>
Basic and diluted earnings per certificate	16	<u><u>0.23</u></u>	<u><u>0.80</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For National Asset Management Company Limited
(Management Company)

Chief Executive

Director

**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2012

	<i>Note</i>	2012	2011
		(Rupees)	
Net income for the year		24,354,700	85,966,916
Other comprehensive income for the year			
- Net unrealised appreciation / (diminution) in the value of investments classified as 'available for sale'	5.2	5,540,321	(4,336,021)
- Investments classified as 'available for sale' transferred to income statement			
- Impairment losses		2,239,075	6,416,088
- On disposal		(7,520,206)	-
		259,190	2,080,067
Total comprehensive income for the year		<u>24,613,890</u>	<u>88,046,983</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Director

**STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 30 JUNE 2012

CASH FLOWS FROM OPERATING ACTIVITIES	<i>Note</i>	2012	2011
		(Rupees)	
Net income for the year		24,354,700	85,966,916
Adjustments for:			
Diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net		68,051,927	47,054,780
Impairment losses on investments classified as 'available for sale'		2,239,075	6,416,088
Impairment losses on investments classified as 'Loans and receivables' (Reversal) / provision against non-performing investments classified as 'held to maturity'		25,400,000	-
		(7,585,938)	10,000,000
		112,459,764	149,437,784
Movement in:			
Investments - net		(34,941,066)	(101,958,316)
Receivable against Marginal Trading System		(168,446,220)	-
Receivable against sale of investments		(8,983,161)	(955,937)
Prepayments and security deposits		(423,891)	1,000,000
Dividend and other receivables		1,262,629	1,357,975
Accrued expenses and other liabilities		261,631	(1,662,682)
Payable to National Asset Management Company Limited - Management Company		(2,191,268)	(1,558,848)
Payable to the Trustee		1,689	(2,949)
Payable to Securities and Exchange Commission of Pakistan		35,939	(49,122)
Net cash flows (used in) / from operating activities		(100,963,954)	45,607,905
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash (used in) financing activities - Dividend paid		-	(771,660)
Net (decrease) / increase in cash and cash equivalents during the year		(100,963,954)	44,836,245
Cash and cash equivalents at beginning of the year		171,524,224	126,687,979
Cash and cash equivalents at end of the year	<i>4</i>	70,560,270	171,524,224

The annexed notes 1 to 29 form an integral part of these financial statements.

For National Asset Management Company Limited
(Management Company)

Chief Executive

Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

	2012	2011
	(Rupees)	
Undistributed losses at beginning of the year	(242,069,484)	(328,036,400)
<i>Distributions during the year</i>		
Final distribution of 8 bonus certificates for every 100 certificates held for the year ended 30 June 2011 (Date of distribution: 3 October 2011)	(80,000,000)	-
Net income for the year	24,354,700	85,966,916
Accumulated losses carried forward	<u>(297,714,784)</u>	<u>(242,069,484)</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Director

**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES 'PER CERTIFICATE'**
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011 <i>(Restated)</i> <i>Note 16</i>
	(Rupees)	
Net assets per certificate at beginning of the year	7.09	6.28
Capital gains on sale of investments - net	0.83	1.06
Income from marginal trading	0.04	-
Dividend income	0.23	0.22
Diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(0.63)	(0.44)
Profit on balances with banks	0.21	0.21
Profit on certificate of musharaka	-	0.02
Profit on certificate of investments	0.02	0.06
Profit on term deposit receipts	-	0.05
Profit on treasury bills	0.01	0.02
Profit on Pakistan Investment Bonds	0.04	-
Profit on sukuk bonds	0.01	-
	0.76	1.20
Expenses	(0.34)	(0.26)
Impairment losses on investments classified as 'available for sale'	(0.02)	(0.06)
Impairment losses on investments classified as 'loans and receivables'	(0.24)	-
Reversal / (provision) against non-performing investments classified as 'held to maturity'	0.07	(0.09)
Unrealised appreciation on re-measurement of investments classified as 'available for sale' - net	-	0.02
Net assets per certificate at end of the year	7.32	7.09

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Director



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Certificate capital	Unrealised appreciation on re-measurement of investments classified as available for sale - net	Accumulated loss	Total
	----- (Rupees) -----			
Balance as at 01 July 2010	1,000,000,000	6,196,630	(328,036,400)	678,160,230
<i>Total comprehensive income for the year</i>				
Net income for the year	-	-	85,966,916	85,966,916
Other comprehensive income				
- Net unrealised (diminution) in the value of investments classified as 'available for sale'	-	(4,336,021)	-	(4,336,021)
- Impairment losses on investments classified as 'available for sale' - transferred to income statement	-	6,416,088	-	6,416,088
Total comprehensive income for the year	-	2,080,067	85,966,916	88,046,983
Balance as at 30 June 2011	1,000,000,000	8,276,697	(242,069,484)	766,207,213
<i>Total comprehensive income for the year</i>				
Net income for the year	-	-	24,354,700	24,354,700
Other comprehensive income				
Net unrealised appreciation in the value of investments classified as 'available for sale'	-	5,540,321	-	5,540,321
Investments classified as 'available for sale' transferred to income statement				
- impairment loss	-	2,239,075	-	2,239,075
- on disposals	-	(7,520,206)	-	(7,520,206)
Total comprehensive income for the year	-	259,190	24,354,700	24,613,890
<i>Transactions with owners recorded directly in equity - distribution</i>				
Final distribution of 8 bonus certificates for every 100 certificates held, for the year ended 30 June 2011	80,000,000	-	(80,000,000)	-
Balance as at 30 June 2012	1,080,000,000	8,535,887	(297,714,784)	790,821,103

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Director



NOTES THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

NAMCO Balanced Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has been authorised as a closed end scheme by the Securities and Exchange Commission of Pakistan (SECP) on May 03, 2006. It was constituted under a Trust Deed, dated April 17, 2006, between National Asset Management Company Limited (NAMCO) as Management Company and First Dawood Investment Bank Limited as the Trustee. The Securities and Exchange Commission of Pakistan (SECP) authorised constitution of the Trust Deed on 22 April 2010 and it was executed on 4 November 2010 in accordance with the NBFC Regulations. The trust deed was amended through first supplemental trust deed for change of trustee and amendment of trust deed of NBF was executed between the Management Company and MCB Financial Services Limited (MCBFSL) as the new Trustee in place of First Dawood Investment Bank Limited (FDIBL).

The Management Company of the Fund has been licensed to act as an Asset Management Company Limited under the NBFC Rules through a certificate of registration issued by SECP on 13 December 2005. The registered office of the Management Company is situated at 179-B, Abu Bakar Block, New Garden Town, Lahore. The principal office of the Management Company is situated at 19-C, Sunset Lane 6, South Park Avenue, Phase II Ext, DHA Karachi, Pakistan.

The Fund is a closed end balanced mutual fund and its certificates are listed on Karachi Stock Exchange. The principal activity of the Fund is to make investments in equity market and fixed income securities including money market instruments.

The policy of the Fund is to invest in a mix of investment grade money market instruments, debt securities, government securities and derivative transactions. The Fund is categorised as an balanced scheme as specified by SECP and is subject to guidelines prescribed by SECP.

JCR-VIS Credit Rating Company Limited has assigned management quality rating of AM3- to the Management Company. The AM3-rating is categorized as "Good Quality Management". JCR-VIS Credit Rating Company has assigned MFR 3-Star to NAMCO Balanced Fund which denotes average performance.

The Non-Banking Finance Companies and Notified Entities Regulations, 2008 notified by the SECP require under clause 65 of such regulations that a closed end fund shall, upon expiry of 5 years starting from 21 November 2007, hold a meeting of certificate holders to seek the approval of the certificate holders (by special resolution) to convert into an open end scheme or revoke the closed end scheme. The 5 years of the Fund will expire on 20 November 2012. The management company intends to hold a meeting of certificate holders before expiry to decide conversion, winding up or revocation of the Fund by passing a special resolution of certificate holders.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which are carried at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees, except otherwise stated.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant



to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment thereagainst (note 3.1.1 and 3.1.6).

2.5 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Fund.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on Fund's financial statements.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
 - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position. The amendment has no impact on Fund's financial statements.
 - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment has no impact on Fund's financial statements.
 - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting



for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendment may result in modified disclosure in the interim financial statements.
- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Financial Assets

3.1.1 Classification

Financial assets in the scope of IAS 39, are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Fund determines the classification of its financial assets after initial recognition and where allowed and appropriate, re-evaluates this designation at each financial year-end.

a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "Financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in income statement.

b) Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Fund has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments, that are intended to be held to maturity, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of a difference between the initially recognized amount and the maturity amount.

This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income statement when the investments are derecognized or impaired, as well as through the amortization process.

c) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

d) Available-for-sale financial assets

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

3.1.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the assets.

3.1.3 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.

3.1.4 Subsequent measurement

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

a) Basis of valuation of debt securities

The debt securities are 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 Circular No.1 of 2009 dated January 6, 2009. 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.

b) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

c) Basis of valuation of Government Securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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

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

Loans and receivables are carried at amortised cost using the effective interest method.

3.1.5 Spread transactions (Ready-future transactions)

Investment in such transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as "Investment at fair value through profit or loss" and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement in accordance with the requirements of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement".

3.1.6 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in circular 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of Management Company.

3.1.7 Derecognition

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

3.2 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.

3.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when



there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.4 Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These are measured at initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. All derivatives in a net receivables positions (positive fair values) and reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading.

3.5 Receivable against Marginal Trading System (MTS)

Securities purchased under Marginal Trading System are entered into contracted rates for specified rates for specified period of time. Amount paid under these agreements are recognised as receivable in respect of MTS. Cash releases are adjusted against the receivable as reduction in the amount of receivable. The maximum maturity of a MTS contracts is 60 days out of which 25% exposure will be automatically released at expiry of every 15th day from the date of contract.

3.6 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.
- Profit / income on bank deposits, marginal trading, investments in debt securities and government securities are recognised using the effective interest method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

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 among the unit holders.

The Fund is 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 Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset if any to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.8 Offsetting of financial assets and liabilities

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

3.9 Provision

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

3.10 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.

**3.11 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an in significant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.12 Distributions

Distributions declared including the bonus certificates are recorded in the period in which they are approved.

4. BALANCES WITH BANKS	2012	2011
	(Rupees)	
Profit and loss sharing bank accounts	<u>70,560,270</u>	<u>171,524,224</u>

Return on profit and loss sharing accounts range from 5% to 11.5% (30 June 2011: 5% to 13%) per annum. Cash and cash equivalents comprise of profit and loss sharing accounts. As 30 June 2012, bank balances amounted to Rs. 70.56 million represents 8.92% (30 June 2011: 22.39%) of the net assets.

5. INVESTMENTS	2012	2011
	(Rupees)	
Financial asset at fair value through profit or loss - held for trading		
Quoted equity securities	5.1 466,195,368	427,106,423
Available for sale		
Quoted equity securities	5.2 71,194,145	57,312,288
Loans and receivables		
Fixed income and other debt securities	5.3 400,000	64,500,000
Held to maturity		
Fixed income and other debt securities	5.4 7,242,188	49,017,798
	<u>545,031,701</u>	<u>597,936,509</u>



NAMCO BALANCED FUND

5.1 Investments classified as 'financial assets at fair value through profit or loss - held for trading'

Unless stated otherwise, the holdings are in ordinary shares / certificates of Rs 10 each.

Name of investee	Number of shares				Balance as at 30 June 2012			Percentage in relation to			
	As at 1 July 2011	Purchases during the year	Bonus / rights issue	Sales during the year	Holding as at 30 June 2012	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid-up capital	Total investments
EQUITY INVESTMENT											
B.R.R. Guardian Modaraba	1,161,968	-	-	1,161,968	-	-	-	-	0.00%	0.00%	0.00%
	1,161,968	-	-	1,161,968	-	-	-	-			
FINANCIAL SERVICES											
First National Equities Limited	133,695	904,489	-	100,000	938,184	5,706,835	5,441,467	(265,368)	0.69%	0.68%	1.00%
Jahangir Siddiqui & Company Limited	-	12,789,919	-	8,116,006	4,673,913	86,764,670	58,003,260	(28,761,410)	7.33%	0.00%	10.64%
First Capital Securities Corporation Limited	-	1,975,000	-	60,000	1,915,000	7,673,753	5,189,650	(2,484,103)	0.66%	0.60%	0.95%
	133,695	15,669,408	-	8,276,006	7,527,097	100,145,258	68,634,377	(31,510,881)			
NON LIFE INSURANCE											
Adamjee Insurance Company Limited	-	723,135	-	113,635	609,500	44,408,130	35,503,375	(8,904,755)	4.49%	0.00%	6.51%
	-	723,135	-	113,635	609,500	44,408,130	35,503,375	(8,904,755)			
PERSONAL GOODS											
Azgard Nine Limited	722,990	9,087,482	-	8,632,169	1,178,303	8,289,017	7,541,139	(747,878)	0.95%	0.26%	1.38%
Nishat Mills Limited	510,000	250,000	-	760,000	-	-	-	-	0.00%	0.00%	0.00%
	1,232,990	9,337,482	-	9,392,169	1,178,303	8,289,017	7,541,139	(747,878)			
JUTE											
Latif Jute Mills Limited	85,000	-	-	47,342	37,658	253,815	225,948	(27,867)	0.03%	1.06%	0.04%
	85,000	-	-	47,342	37,658	253,815	225,948	(27,867)			
FOOD PRODUCTS											
Punjab Oil Mills Limited	-	501,506	-	3,500	498,006	19,934,291	26,399,298	6,465,007	3.34%	9.24%	4.84%
	-	501,506	-	3,500	498,006	19,934,291	26,399,298	6,465,007			
CONSTRUCTION & MATERIALS											
Attock Cement Pakistan Limited	237,280	-	-	237,280	-	-	-	-	0.00%	0.00%	0.00%
D.G.Khan Cement Limited	255,612	995,000	-	1,050,612	200,000	8,343,046	7,876,760	(467,046)	1.00%	0.05%	1.45%
Fauji Cement Company Limited	-	19,485,224	-	5,960,224	13,525,000	68,192,455	76,145,750	7,953,295	9.63%	1.02%	13.97%
Lucky Cement Limited	65,000	381,364	-	446,364	-	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Limited	315,868	2,923,676	-	2,830,844	408,700	3,883,294	3,760,040	(123,254)	0.48%	0.18%	0.69%
Lafarge Pakistan Cement Limited	-	7,767,592	-	1,000,000	6,767,592	29,651,545	29,235,997	(415,548)	3.70%	0.52%	5.36%
	873,760	31,552,856	-	11,525,324	20,901,292	110,070,340	117,017,787	6,947,447			
INDUSTRIAL METALS AND MINING											
Crescent Steel & Allied Products Limited	157,982	198,920	-	77,755	279,147	7,420,975	6,473,419	(947,556)	0.82%	0.49%	1.19%
	157,982	198,920	-	77,755	279,147	7,420,975	6,473,419	(947,556)			
AUTOMOBILE & PARTS											
Pakistan Suzuki Motors Company Limited	89,031	-	-	89,031	-	-	-	-	0.00%	0.00%	0.00%
	89,031	-	-	89,031	-	-	-	-			
OIL & GAS											
Attock Petroleum Limited	4,000	25,000	-	29,000	-	-	-	-	0.00%	0.00%	0.00%
Oil & Gas Development Corporation Limited	15,000	20,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Oil Fields Limited	32,340	140,500	-	172,840	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Petroleum Limited	47,500	51,532	-	99,032	-	-	-	-	0.00%	0.00%	0.00%
Pakistan State Oil Company Limited	129,525	60,013	-	189,538	-	-	-	-	0.00%	0.00%	0.00%
	228,365	297,045	-	525,410	-	-	-	-			
GAS WATER & MULTI-UTILITIES											
Sui Northern Gas Company Pipelines Limited	630,026	108,774	30,000	768,800	-	-	-	-	0.00%	0.00%	0.00%
	630,026	108,774	30,000	768,800	-	-	-	-			
REFINERIES											
Attock Refinery Limited	35,000	143,587	-	178,587	-	-	-	-	0.00%	0.00%	0.00%
	35,000	143,587	-	178,587	-	-	-	-			
BANKS											
Askari Commercial Bank Limited	400,000	564,114	-	964,114	-	-	-	-	0.00%	0.00%	0.00%
Bank Al-Falah Limited	3,022,690	4,348,966	-	7,371,656	-	-	-	-	0.00%	0.00%	0.00%
Habib Bank Limited	70,048	53,137	-	123,185	-	-	-	-	0.00%	0.00%	0.00%
JS Bank Limited	-	10,687,699	-	10,687,699	-	71,005,344	54,507,265	(16,498,079)	6.89%	1.07%	10.00%
MCB Bank Limited	51,500	72,500	-	124,000	-	-	-	-	0.00%	0.00%	0.00%
National Bank of Pakistan Limited	50,000	115,000	-	165,000	-	-	-	-	0.00%	0.00%	0.00%
NIB Bank Limited	-	1,300,000	-	1,300,000	-	3,696,617	2,587,000	(1,109,617)	0.33%	0.01%	0.47%
Samba Bank Limited	-	12,628,159	-	52,900	12,575,259	35,161,321	28,923,096	(6,238,225)	3.66%	0.88%	5.31%
SILK Bank Limited	2,150,000	-	-	2,150,000	-	5,439,500	4,536,500	(903,000)	0.57%	0.08%	0.83%
United Bank Limited	33,500	19,500	-	53,000	-	-	-	-	0.00%	0.00%	0.00%
Bank Islami Pakistan Limited	-	2,352,575	-	832,575	1,520,000	16,364,993	16,264,000	(100,993)	2.06%	0.29%	2.98%
	5,777,738	32,141,650	-	9,686,430	28,232,958	131,667,775	106,817,861	(24,849,914)			
CHEMICALS											
Arif Habib Corporation Limited	180,000	2,215,000	-	2,395,000	-	-	-	-	0.00%	0.00%	0.00%
Engro Corporation Limited	185,000	42,500	-	227,500	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Bin Qasim Limited	567,015	2,117,985	-	2,020,000	665,000	34,121,350	27,145,300	(6,976,050)	3.43%	0.07%	4.98%
LOTTE Pakistan PTA Limited	2,400,000	4,514,643	-	6,914,643	-	-	-	-	0.00%	0.00%	0.00%
Nimir Industries Chemical Limited	-	14,583,043	-	1,466,781	13,116,262	48,101,909	45,119,941	(2,981,968)	5.71%	11.86%	8.28%
	3,332,015	23,473,171	-	13,023,924	13,781,262	82,223,259	72,265,241	(9,958,018)			
SUPPORT SERVICES											
TRG Pakistan Limited	-	690,800	-	40,800	650,000	2,895,609	2,223,000	(672,609)	0.28%	0.17%	0.41%
	-	690,800	-	40,800	650,000	2,895,609	2,223,000	(672,609)			
ELECTRICITY											
Hub Power Company Limited	220,000	541,201	-	761,201	-	-	-	-	0.00%	0.00%	0.00%
Kot Addu Power Company Limited	151,389	55,000	-	206,389	-	-	-	-	0.00%	0.00%	0.00%
Nishat Chunian Power Limited	3,414,900	542,552	-	3,957,452	-	-	-	-	0.00%	0.00%	0.00%
Nishat Power Limited	4,460,000	1,093,128	-	4,679,747	873,381	13,349,184	12,838,701	(510,483)	1.62%	0.25%	2.36%
Karachi Electric Supply Corporation Limited	-	3,995,192	-	830,000	3,165,192	13,589,642	10,255,222	(3,334,420)	1.30%	0.04%	1.88%
	8,246,289	6,227,073	-	10,434,789	4,038,573	26,938,826	23,093,923	(3,844,903)			
	21,983,859	121,065,407	30,000	65,345,470	77,733,796	534,247,295	466,195,368	(68,051,927)			



5.2 Investments classified as 'available for sale'

Unless stated otherwise, the holdings are in ordinary shares / certificates of Rs 10 each.

Name of investee	Number of shares					Balance as at 30 June 2012			Percentage in relation to		
	As at 1 July 2011	Purchases during the year	Bonus / rights issue	Sales during the year	Holding as at 30 June 2012	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid-up capital	Total investment
----- (Rupees) -----											
FINANCIAL SERVICES											
First National Equities Limited	741,441	10,632,784	-	-	11,374,225	59,761,094	65,970,505	6,209,411	8.34%	8.24%	12.10%
SME Leasing Limited	457,761	-	-	-	457,761	4,348,730	3,753,640	(595,090)	0.47%	1.43%	0.69%
	1,199,202	10,632,784	-	-	11,831,986	64,109,824	69,724,145	5,614,321			
BANKS											
Bank Alfalah Limited	596,925	319,399	-	916,324	-	-	-	-	0.00%	0.00%	0.00%
United Bank Limited	250,000	-	-	250,000	-	-	-	-	0.00%	0.00%	0.00%
	846,925	319,399	-	1,166,324	-	-	-	-			
CHEMICALS											
Fatima Fertilizer Company Limited	700,000	-	-	700,000	-	-	-	-	0.00%	0.00%	0.00%
ELECTRICITY											
Hub Power Company Limited	30,000	-	-	30,000	-	-	-	-	0.00%	0.00%	0.00%
Kot Addu Power Company Limited	30,000	-	-	30,000	-	-	-	-	0.00%	0.00%	0.00%
Nishat Chumian Power Limited	1,021,931	-	-	1,021,931	-	-	-	-	0.00%	0.00%	0.00%
Nishat Power Limited	100,000	-	-	-	100,000	1,544,000	1,470,000	(74,000)	0.19%	0.03%	0.27%
	1,181,931	-	-	1,081,931	100,000	1,544,000	1,470,000	(74,000)			
	3,928,058	10,952,183	-	2,948,255	11,931,986	65,653,824	71,194,145	5,540,321			

5.3 Investments classified as 'Loans and receivables'

	Profit/ mark-up rate / yield	Maturity date	Carrying value as at 1 July 2011	Transferred	Principal redemption during the year	Provision for the year	Value of investment after provisioning	Value as a percentage of net assets	Value as percentage of investment	
----- (Rupees) -----										
Receivable from Invest Capital Investment Bank Limited (Invest Bank)	5.3.1	12.50%	14-Dec-13	-	34,000,000	8,200,000	25,400,000	400,000	0.051%	0.073%
Certificate of Musharaka										
Al Zamin Leasing Modaraba	5.3.1	12%	10-Sep-11	19,000,000	(19,000,000)	-	-	-		
Certificate of Investments										
Al Zamin Leasing Corporation	5.3.1	13%	27-Jul-12	15,000,000	(15,000,000)	-	-	-		
First Dawood Investment Bank	5.3.2	11%	30-Apr-12	30,500,000	-	30,500,000	-	-		
				64,500,000	-	38,700,000	25,400,000	400,000		



5.3.1 The Fund made investment in COMs and COIs of Al-Zamin Leasing Modaraba (AZLM) and Al-Zamin Leasing Corporation Limited (AZLC) amounting to Rs. 20 million and Rs. 15 million on 10 June 2009 and 27 January 2009 for a period of six months at the profit / mark up rate of 12% and 13% respectively. However, from time to time these investments had been roll over. As at 30 June 2011, the total outstanding principal amounted to Rs. 19 million and Rs. 15 million with the maturity date of 10 September 2011 and 27 January 2012 respectively. Given the merger of AZLM and AZLC with and into Invest Capital Investment Bank Limited (Invest Bank) in 2010, all liabilities of AZLM and AZLC, including the outstanding instruments were assigned to Invest Bank. During the year, an agreement has been executed with Invest Bank whereby both parties agreed to settle investments of Rs. 34 million in aggregate along with profit at the rate of 12.5 percent per annum in 27 instalments after payment of Rs. 5 million at the time of signing of the agreement. The remaining balance of Rs. 29 million will be received in 27 monthly instalments starting from 14 October 2011. The Fund has received Rs. 5 million and Rs. 0.866 million against principal and accrued profit respectively on 14 September 2011. The Invest Bank, after payment of first two instalments, had made default in payment of principal and profit on due date i.e. 14 December 2011. As of 30 June 2012, the Fund has outstanding principal of Rs. 25.8 million and subsequent to the year end, the Fund has received partial payment of Rs. 0.4 million on account of the principal. The Management Company in view of the deteriorating position and liquidity problems of the Invest Bank has made full provision against the outstanding principal after adjusting the subsequent receipt, in the financial statements

5.3.2 The Fund made investment in COIs of First Dawood Investment Bank limited (FDIBL) - the retiring trustee of the Fund, amounting to Rs. 60 million in April 2008. As at 30 June 2011, the total outstanding principal amounted to Rs.30.5 million (30 June 2010 : Rs. 42.5 million) and the markup outstanding amounted to Rs. 0.625 million (30 June 2010 : 0.795 million). During the year ended 30 June 2012, the Fund has received the total outstanding principal of Rs.30.5 million in three tranches. However no accrual in respect of markup outstanding amounting to Rs.1.3 million has been made due to the non recoverability of markup on due date.

5.4 Investments classified as 'Held to maturity'

	Profit mark-up rate	Maturity date	Carrying cost as at 1 July 2011	Reversal of provision	Principal Redemption during the year	Carrying value as of investment as at 30 June 2012	Value as a percentage of net assets	Value as percentage of investments
<i>Sukuk bonds of Rs. 5,000 each</i>								
BRR Guardian Modaraba	5.4.1							
2,000 bonds (2011: 2,000 bonds)	(6 months KIBOR plus 1.30%)	7-Dec-16	-	7,585,938	343,750	7,242,188	0.92%	1.33%
			-	7,585,938	343,750	7,242,188		

5.4.1 The Fund has investment in Sukuk bonds of BRR Guardian Modaraba amounting to Rs. 10 million. These sukuk bonds have been classified as non performing by MUFAP as on 30 June 2011, due to default in payment of interest and principal on due dates. Accordingly, aggregate amount of Rs. 10 million has been recorded as impairment there against. On 07 July 2011, these sukuk bonds have been classified as performing by MUFAP on restructuring of repayment schedule, terms and conditions and payment of subsequent two installments on time. Resultantly the same has been marked to market on rates quoted by MUFAP as on 30 June 2012.

	2012	2011
	(Rupees)	
6. RECEIVABLE AGAINST MARGINAL TRADING SYSTEM	6.1 168,446,220	-
6.1. This represents the amount receivable against Marginal Trading System and carries the profit ranging between 10% to 18% and are matured at the option of financee subject to maximum period of 60 days.		
7. DIVIDEND AND OTHER RECEIVABLES		
Dividend receivable	279,146	402,982
Profit receivable on certificates of musharaka	-	135,864
Profit receivable on certificates of investments	-	1,453,280
Profit receivable on sukuk bonds	1,126,628	-
MTS Income receivable	1,316,590	-
Profit receivable on balances with banks	-	1,992,867
	2,722,364	3,984,993
8. SECURITY DEPOSITS	2012	2011
	(Rupees)	
National Clearing Company of Pakistan Limited	2,750,000	2,500,000
Central Depository Company of Pakistan Limited	175,000	175,000
Prepayments	173,891	-
	3,098,891	2,675,000



9. PAYABLE TO NATIONAL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY

Remuneration payable	1,543,547	1,932,829
Preliminary expenses and floatation costs payable	-	1,801,986
	<u>1,543,547</u>	<u>3,734,815</u>

Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3 percent of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the Fund. In the current year, the Management Company has charged remuneration at the rate of 3 percent of the average annual net assets of the Fund upto 30th October 2011 and 2 percent of the average annual net assets of the Fund thereafter. The amount of remuneration is being paid monthly in arrears.

During the year, the Sindh government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from 01 July 2011. Accordingly, the Management fee charged during the year is inclusive of General Sales Tax.

10. PAYABLE TO THE TRUSTEE

The Trustee of the Fund is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and offering document as per the tariff specified therein, based on the daily net asset value of the Fund. The remuneration is being paid monthly in arrears. Based on the Trust Deed and offering document the tariff structure applicable to the Fund in respect of the Trustee Fee as at 30 June 2012 is as follows:

Amounts of Fund under management (Average NAV)	Tariff per annum of NAV
Upto Rs. 250 million	0.10 %
On amount exceeding Rs. 250 million upto Rs. 500 million	0.09 %
On amount exceeding Rs. 500 million	0.08 %

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund with effect from November 21, 2008.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2012	2011
	(Rupees)	
Auditors' remuneration	325,000	325,000
Brokerage payable	732,321	499,391
Legal advisor fee payable	75,603	55,302
Withholding tax payable	30,228	30,228
Printing cost payable	49,600	41,200
	<u>1,212,752</u>	<u>951,121</u>

13. CONTINGENCY- 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 / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

During 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.



Furthermore, in 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

In view of the above stated matters, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds and there have been favourable developments supporting Mutual Fund's point of view hence provision in respect of WWF made upto 30 June 2010 of Rs. 2.044 million has been reversed and the provision for the period from 1 July 2010 to 30 June 2012 amounting to Rs. 2.166 million has not been made, if the same were made the net assets value per certificate of the Fund would have been lower by Rs.0.04

14. CERTIFICATE CAPITAL	2012	2011
	(Rupees)	
108,000,000 Fully paid ordinary certificates of Rs.10 each (30 June 2011: 100,000,000)	<u>1,080,000,000</u>	<u>1,000,000,000</u>

14.1 National Asset Management Company Limited (NAMCO) and First National Equities Limited (FNEL) hold 13,138,052 (30 June 2011: 12,116,301) and 489,252 (30 June 2011: 453,011) certificates respectively of Rs. 10 each as at 30 June 2012.

15. PROFIT ON INVESTMENTS AND BANK BALANCES	2012	2011
	(Rupees)	
Profit on balances with banks	22,689,754	22,665,910
Profit on certificates of musharaka	-	2,449,370
Profit on certificates of investments	1,926,076	6,017,229
Profit on term deposit receipts	-	4,884,459
Profit on treasury bills	1,605,071	2,676,039
Profit on Pakistan Investment Bonds	3,987,866	-
Profit on sukuk bonds	1,314,130	84,921
	<u>31,522,897</u>	<u>38,777,928</u>

16. BASIC AND DILUTED EARNINGS AND NET ASSETS PER CERTIFICATE

Net income for the year	<i>Rupees</i> <u>24,354,700</u>	<u>85,966,916</u>
		(Restated)
Number of certificates in issue	<i>Number</i> <u>108,000,000</u>	<u>108,000,000</u>
Basic earnings per certificate	<i>Rupees</i> <u>0.23</u>	<u>0.80</u>

No figure for diluted earnings per share has been presented as the Fund has not issued any instrument which would have an impact on earnings per share when exercised.

The number of certificates for the prior year has been adjusted for the effect of 8 million bonus certificates issued during the current year for the purpose of calculation of basic and diluted earnings per certificate and net assets value per certificate. Accordingly all related figures have been restated wherever necessary.

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

17.1 Related parties include National Asset Management Company Limited being the Management Company, First Dawood Investment Bank Limited (former trustee), MCB Financial Services Limited being the trustee, First National Equities Limited, First Pakistan Securities and Switch Securities Limited being the associates of the Management Company and Key Management personnel.

17.2 The transactions with connected persons / related parties are at contracted rates and terms determined in accordance with market rates.

17.3 Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

17.4 Details of transactions and balances with connected persons / related parties other than those which have been disclosed elsewhere are as follows:



Transactions with connected persons / related parties during the year

National Asset Management Company Limited - Management Company

	2012	2011
	(Rupees)	
- Management fee	21,547,735	22,689,299
- Certificates issued [No. of certificates 52,447 (30 June 2011: 1,308,380)]	524,470	13,083,800
- 969,304 bonus certificates issued at Rs. 10 each (30 June 2011: Nil)	9,693,040	-

First National Equities Limited

- Brokerage	1,876,448	1,071,200
- Purchase of marketable securities	319,047,854	451,821,894
- Sale of marketable securities	213,510,971	460,062,273
- Certificate issued [No. of certificate NIL (30 June 2011: 1,011)]	-	10,110
- 36,241 bonus certificates issued at Rs. 10 each (30 June 2011: Nil)	362,410	-

First Pakistan Securities Limited

- Brokerage	172,076	-
- Purchase of marketable securities	16,390,864	-
- Sale of marketable securities	1,591,941	-
- 120,960 bonus certificates issued at Rs. 10 each (30 June 2011: Nil)	1,209,600	-

Switch Securities Limited

- Brokerage	325,698	80
- Purchase of marketable securities	33,919,763	14,550
- Sale of marketable securities	9,647,240	4,940
- Certificate issued [No. of certificate 540 (30 June 2011: 1,011)]	5,400	-
- 160,000 bonus certificate issued at Rs. 10 each (30 June 2011: Nil)	1,600,000	-

Executives of the Management Company

- Certificates issued [No. of Certificates 120 (30 June 2011: Nil)]	1,200	-
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MCB Financial Services Limited

- Remuneration to the trustee	638,883	410,061
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First Dawood Investment Bank Limited

- Remuneration to the retiring trustee	-	224,382
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Balances with connected persons / related parties

National Asset Management Company Limited - Management Company

- Management fee payable	1,543,547	1,932,829
- Balance payable in respect of preliminary expenses and floatation costs	-	1,801,986
- Certificates in issue [No. of certificates 13,138,052 (30 June 2011: 12,116,301)]	131,380,520	121,163,010

First National Equities Limited

- Brokerage payable	81,909	178,276
- Certificates in issue [No. of certificates 489,252 (30 June 2011: 453,011)]	4,892,520	4,530,110
- Market value of Shares [Number of shares 12,312,409 (30 June 2011: 875,136)]	71,411,972	2,546,645

First Pakistan Securities Limited

- Brokerage payable	57,519	-
- Certificates in issue [No. of certificates 1,632,960 (30 June 2011: 1,512,000)]	16,329,600	15,120,000

Switch Securities Limited

- Brokerage payable	13,958	-
- Certificates in issue [No. of certificates 2,160,540 (30 June 2011: 2,000,000)]	21,605,400	20,000,000

Executives of the Management Company

- Certificates in issue [No. of certificates 1,620 (30 June 2011: 589,000)]	16,200	5,890,000
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18. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2012				
	Assets at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity sale	Total
	----- (Rupees) -----				
Financial assets					
Balances with banks	-	-	70,560,270	-	70,560,270
Investments	466,195,368	71,194,145	400,000	7,242,188	545,031,701
Receivable against Marginal Trading System	-	-	168,446,220	-	168,446,220
Receivable against sale of investments	-	-	9,939,098	-	9,939,098
Dividend and other receivables	-	-	2,722,364	-	2,722,364
Security deposits	-	-	2,925,000	-	2,925,000
	<u>466,195,368</u>	<u>71,194,145</u>	<u>254,992,952</u>	<u>7,242,188</u>	<u>799,624,653</u>

	As at 30 June 2012		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees) -----		
Financial liabilities			
Payable to National Asset Management Company Limited - Management Company	-	1,543,547	1,543,547
Payable to the Trustees	-	51,558	51,558
Payable to Securities and Exchange Commission of Pakistan	-	678,803	678,803
Unclaimed dividend	-	5,490,781	5,490,781
Accrued expenses and other liabilities	-	1,182,524	1,182,524
	<u>-</u>	<u>8,947,213</u>	<u>8,947,213</u>

	As at 30 June 2011				
	Assets at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity sale	Total
	----- (Rupees) -----				
Financial assets					
Balances with banks	-	-	171,524,224	-	171,524,224
Investments	427,106,423	57,312,288	64,500,000	49,017,798	597,936,509
Receivable against sale of investments	-	-	955,937	-	955,937
Dividend and other receivables	-	-	3,984,993	-	3,984,993
Security deposits	-	-	2,675,000	-	2,675,000
	<u>427,106,423</u>	<u>57,312,288</u>	<u>243,640,154</u>	<u>49,017,798</u>	<u>777,076,663</u>

	As at 30 June 2011		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees) -----		
Financial liabilities			
Payable to National Asset Management Company Limited - Management Company	-	3,734,815	3,734,815
Payable to the Trustees	-	49,869	49,869
Payable to Securities and Exchange Commission of Pakistan	-	642,864	642,864
Unclaimed dividend	-	5,490,781	5,490,781
Accrued expenses and other liabilities	-	920,893	920,893
	<u>-</u>	<u>10,839,222</u>	<u>10,839,222</u>

19. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and



audit committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.

The Fund primarily invests in quoted equity securities, Marginal Trading System, fixed income securities and other money market instruments. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

19.1 Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

19.1.1 Currency risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

19.1.2 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. The Fund at present is not exposed to interest rate risk.

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 30 June 2012						
Yield / interest rate (%)	Total	Exposed to Yield/Interest rate risk			Not exposed to Yield/ Interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
----- (Rupees) -----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	5 - 11.5	70,560,270	70,560,270	-	-	-
Investments	(6 months KIBOR plus 1.30%)	545,031,701	493,750	281,250	6,867,188	537,389,513
Receivable against Marginal Trading System	10 - 18	168,446,220	168,446,220	-	-	-
Receivable against sale of investments		9,939,098	-	-	-	9,939,098
Dividend and other receivables		2,722,364	-	-	-	2,722,364
Security deposits		2,925,000	-	-	-	2,925,000
		799,624,653	239,500,240	281,250	6,867,188	552,975,975
Financial liabilities						
Payable to National Asset Management Company Limited - Management Company		1,543,547	-	-	-	1,543,547
Payable to the Trustees		51,558	-	-	-	51,558
Payable to Securities and Exchange Commission of Pakistan		678,803	-	-	-	678,803
Unclaimed dividend		5,490,781	-	-	-	5,490,781
Accrued expenses and other liabilities		1,182,524	-	-	-	1,182,524
		8,947,213	-	-	-	8,947,213
On-balance sheet gap 2012		790,677,440	239,500,240	281,250	6,867,188	544,028,762
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap 2012		-	-	-	-	-



As at 30 June 2011					
Yield / interest rate (%)	Total	Exposed to Yield / Interest rate risk			Not exposed to Yield/ Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
----- (Rupees) -----					
On-balance sheet financial instruments					
Financial assets					
Balances with banks	5 - 13	171,524,224	171,524,224	-	-
Investments	11 - 13	597,936,509	49,017,798	64,500,000	484,418,711
Receivable against sale of investments		955,937	-	-	955,937
Dividend and other receivables		3,984,993	-	-	3,984,993
Security deposits		2,675,000	-	-	2,675,000
		<u>777,076,663</u>	<u>220,542,022</u>	<u>64,500,000</u>	<u>492,034,641</u>
Financial liabilities					
Payable to National Asset Management Company Limited - Management Company		3,734,815	-	-	3,734,815
Payable to the Trustees		49,869	-	-	49,869
Payable to Securities and Exchange Commission of Pakistan		642,864	-	-	642,864
Unclaimed dividend		5,490,781	-	-	5,490,781
Accrued expenses and other liabilities		920,893	-	-	920,893
		<u>10,839,222</u>	<u>-</u>	<u>-</u>	<u>10,839,222</u>
On-balance sheet gap 2011		<u>766,237,441</u>	<u>220,542,022</u>	<u>64,500,000</u>	<u>481,195,419</u>
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap 2011		-	-	-	-

19.1.3 Price Risk

This 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 instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund's equity securities are exposed to price risk because of investments held by the Fund and classified on the Statement of Assets a Liabilities as financial assets 'at fair value throught profit or loss' or available for sale. To manage the risk, the Fund diversifies its portfolio with the eligible stocks prescribed in the Trust Deed. The Fund's constitutive documents / NBFC Regulations also limit exposure to individual equity securities.

A summary analysis of investments by industry sector, the percentage in relation to the Fund's own net assets, the percentage of issued capital of the investee company, total investment and their fair values as at 30 June 2012 are stated in note 5.1 and 5.2

In case of one percent increase / decrease in share prices at the year end, there would have increased / decreased the Fund's net income in case of held for trading investments and increased / decreased remeasurement appreciation / diminution on investments in case of available for sale investment by Rs. 4.661 million and Rs. 0.712 million respectively. (30 June 2011: Rs. 4.271 million and Rs. 0.573 million respectively)

19.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The Fund's credit risk is primarily attributable to its investment in debt securities, balances with banks, receivable against marginal trading, advances, deposits and other receivables. The credit risk of the Fund is limited as the balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. All transactions in listed securities and marginal trading system are settled /paid for upon delivery through the National Clearing Company of Pakistan Limited (NCCPL). The risk of default is considered minimal in case of investments in equity securities and receivable against marginal trading due to inherent systematic measures taken by NCCPL therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through the assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company.



The analysis below summarises the credit quality of the Financial Assets as at 30 June 2012 and 30 June 2011:

Bank balances by rating category	2012	2011
	(Rupees)	
A1+	22,758,350	171,524,224
A-1	47,682,238	-
A-2	119,682	-
	<u>70,560,270</u>	<u>171,524,224</u>
Debt securities by rating category		
A-2	-	34,000,000
Non-investment grade	7,242,188	-
Non performing	400,000	30,500,000
	<u>7,642,188</u>	<u>64,500,000</u>

Investment in Government securities are not considered to be exposed to credit risk.

The maximum exposure to credit risk before any credit enhancement as at 30 June 2012 is the carrying amount of the financial assets.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

19.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund's policy is to manage this risk by investing in deposit accounts, investments in equity securities that are traded in an active market and can be readily encashed / disposed. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements. The present settlement system for listed equity securities is a T+2 system, which means that proceeds from sales of holdings will be received on the second day after the sale. In respect of receivable against marginal trading, the maximum maturity of a MTS contracts is 60 days. During this period 25% exposure will be automatically released at expiry of every 15th day from the date of contract and cash releases are adjusted as reduction in the amount of receivable. The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	As at 30 June 2012			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees) -----				
Financial liabilities (excluding certificate holders' fund)				
Payable to National Asset Management Company Limited - Management Company	1,543,547	1,543,547	-	-
Payable to the Trustees	51,558	51,558	-	-
Payable to Securities and Exchange Commission of Pakistan	678,803	678,803	-	-
Unclaimed dividend	5,490,781	5,490,781	-	-
Accrued expenses and other liabilities	1,182,524	1,182,524	-	-
	<u>8,947,213</u>	<u>8,947,213</u>	-	-
Certificate holders' fund	<u>790,821,103</u>	<u>790,821,103</u>	-	-



	As at 30 June 2011			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees) -----			
Financial liabilities (excluding certificate holders' fund)				
Payable to National Asset Management Company Limited - Management Company	3,734,815	3,734,815	-	-
Payable to the Trustees	49,869	49,869	-	-
Payable to Securities and Exchange Commission of Pakistan	642,864	642,864	-	-
Unclaimed dividend	5,490,781	5,490,781	-	-
Accrued expenses and other liabilities	920,893	920,893	-	-
	<u>10,839,222</u>	<u>10,839,222</u>	-	-
Certificate holders' fund	<u>766,207,213</u>	<u>766,207,213</u>	-	-

20. CERTIFICATE HOLDERS' FUND RISK MANAGEMENT

Management's objective when managing certificate holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and to ensure reasonable safety of certificate holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The Fund is not exposed to externally imposed minimum certificate capital maintenance requirement.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 1 of 2009 dated January 6, 2009 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to its being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 1 of 2009 issued by the SECP.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

	As at 30 June 2012			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Assets				
Financial assets held for trading				
- Quoted equity securities	466,195,368	-	-	466,195,368
Financial assets available for sale				
- Quoted equity securities	71,194,145	-	-	71,194,145
Investment in Sukuk Bonds	-	7,242,188	-	7,242,188



NAMCO BALANCED FUND

	As at 30 June 2011			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
Assets				
Financial assets held for trading				
- Quoted equity securities	427,106,423	-	-	427,106,423
Financial assets available for sale				-
- Quoted equity securities	57,312,288	-	-	57,312,288

22. CERTIFICATE HOLDING PATTERN OF THE FUND AS AT 30 JUNE 2012

No. of Certificate Holders	Having Certificate		Certificates held	Percentage
	From	To		
36	1	100	724	0%
9	101	500	2,291	0%
141	501	1000	78,277	0%
63	1001	5000	104,141	0%
10	5001	10000	62,471	0%
5	10001	15000	65,808	0%
2	20001	25000	49,148	0%
3	25001	30000	82,599	0%
1	30001	35000	34,982	0%
2	50001	55000	102,455	0%
2	55001	60000	119,400	0%
1	70001	75000	73,246	0%
1	80001	85000	81,000	0%
2	105001	110000	215,460	0%
1	115001	120000	118,800	0%
1	140001	145000	143,668	0%
2	165001	170000	338,672	0%
1	215001	220000	216,000	0%
1	220001	225000	224,640	0%
1	235001	240000	239,362	0%
1	260001	265000	264,612	0%
3	265001	270000	807,989	1%
3	535001	540000	1,620,000	2%
1	640001	645000	644,760	1%
1	805001	810000	808,987	1%
1	995001	1000000	999,950	1%
1	1545001	1550000	1,548,360	1%
1	1590001	1595000	1,591,344	1%
1	1630001	1635000	1,632,960	2%
3	2000001	2005000	2,003,694	2%
2	2155001	2160000	6,480,000	6%
1	2695001	2700000	5,400,000	5%
1	4245001	4250000	4,249,884	4%
1	5395001	5400000	5,400,000	5%
1	6025001	6030000	6,029,260	6%
1	6045001	6050000	6,048,000	6%
1	7415001	7420000	7,416,719	7%
1	8095001	8100000	8,100,000	8%
1	8165001	8170000	8,166,887	8%
1	10150001	10155000	10,152,000	9%
1	12300001	12305000	12,304,917	11%
1	13975001	13980000	13976533	13%
<u>314</u>			<u>108,000,000</u>	<u>100%</u>



23. PATTERN OF CERTIFICATE HOLDING

As at 30 June 2012			
	Numbers of certificate holders	Number of Certificates (Rupees)	Percentage
Individuals	275	1,918,253	1.78%
Insurance Companies	-	-	0.00%
Banks, DFI's and Non-Banking Financial Institutions	10	36,663,144	33.95%
Financial Institutions	-	-	0.00%
Modarabas	1	81,000	0.08%
Directors, CEO & their spouses & minor children	-	-	0.00%
Associated Companies	8	17,420,804	16.13%
Foreign Investor	2	20,005,793	18.52%
Others	18	31,911,006	29.55%
	314	108,000,000	100%

As at 30 June 2011			
	Numbers of certificate holders	Number of Certificates (Rupees)	Percentage
Individuals	261	1,571,407	1.57%
Insurance Companies	-	-	0.00%
Banks, DFI's and Non-Banking Financial Institutions	10	32,096,428	32.10%
Financial Institutions	-	-	0.00%
Modarabas	-	-	0.00%
Directors, CEO & their spouses & minor children	-	-	0.00%
Associated Companies	4	16,081,812	16.08%
Foreign Investor	2	18,523,884	18.52%
Others	19	31,726,469	31.73%
	296	100,000,000	100%

24. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top brokers during the year ended June 30, 2012	2012
First National Equities Limited	19.15%
Invest Capital & securities (Private) Limited	13.50%
Next Capital Market	10.85%
Intermarket Securities (Private) Limited	6.23%
AKD Securities	5.46%
Burj Capital	5.04%
MM Securities	4.62%
Summit Capital	3.62%
MRA Securities (Private) Limited	3.53%
Switch Securities Limited	3.32%
Top brokers during the year ended June 30, 2011	2011
First National Equities Limited	29.57%
Intermarket Securities (Private) Limited	6.47%
Al-Hoqani Securities & Investment Limited.	6.25%
Pearl Securities Limited	6.23%
AKD Securities	5.92%
Standard Capital Securities Limited	3.78%
MRA Securities Limited	3.29%
Elixir Securities Pakistan (Private) Limited	3.06%
AHM Securities Limited	2.75%
Taurus Securities Limited	2.73%



25. PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the Investment Committee of the Fund:

	Designation	Qualification	Experience in years
- Mr. Malik Shahid Mahmood	CEO	MBA	20
- Mr. Muhammad Faraz	CFO	ACMA / FPA	11
- Mr. Faisal Merchant	CIO	MBA	16
- Mr. Muhammad Arshad	Fund Manager	MBA	10

26. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 28th, 29th, 30th and 31st board meetings were held on 3 October 2011, 29 October 2011, 28 February 2012 and 25 April 2012 respectively. Information in respect of attendance by Directors in the meetings is as follows:

Name of Director	Designation held	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1 Lt. General (Retd.) M. Hamid Khan	Chairman	4	4	-	-
2 Mr. Shafiq A. Khan	Director	4	4	-	-
3 Justice (Retd.) M. Javed Buttar	Director	4	-	4	28th, 29th, 30th and 31st
4 Mr. Mubarik Ali	Director	4	4	-	-
5 Mr. Shazib Masud *	Director	4	1	-	-
6 Mr. Malik Shahid Mahmood *	CEO	4	1	-	-

* Mr. Shazib Masud and Mr. Malik Shahid Mahmood has been appointed as the Non-Executive director and Chief Executive Officer of National Asset Management Company Limited on 28 March 2012 and 25 April 2012 respectively. Therefore, they attended one meeting only.

27. OPERATING SEGMENT

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Investment Committee (IC) of the Management Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments. The Fund manager works under the supervision of the IC and follows the directions given by the Committee. The IC is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The IC's asset allocation decisions are based on a single integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The internal reporting provided to the IC for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Fund is domiciled in Pakistan. The Fund's income is generated from resources invested in quoted equity securities, marginal trading system, certificate of investment, and sukuk bonds and balances maintained with banks which are based in Pakistan.

28. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on September 29, 2012 have proposed a final distribution at the rate of 2.10% Bonus Certificate. The financial statements of the fund for the year ended 30 June 2012 do not include the effect of the final distribution which will be accounted for in the financial statements of the fund for the year ended 30 June 2013.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on September 29, 2012.

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

Chief Executive

Director



Member:

(MUFAP) Mutual Funds Association of Pakistan

National Asset Management Comapany Limited

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