

**NATIONAL ASSET MANAGEMENT
COMPANY LIMITED**

**ANNUAL
REPORT 2013**

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: 0092-21-35889916, 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. Shafiq A. Khan	Director
Mr. Malik Shahid Mahmood	Director
Mr. Saleem Shahzada	Director
Mr. Imtiaz Bashir	Director
Mr. M. Asim Mustafa	Director

Chief Financial Officer

Mr. Muhammad Faraz

Company Secretary

Asif Mumtaz Mian

Audit Committee

Mr. Shafiq A. Khan	Chairman
Lt. General (Retd.) M. Hamid Khan	Member
Mr. Imtiaz Bashir	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

SILK Bank Limited

NIB Bank Limited

Bank of Punjab

Burj 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, 2013.

ECONOMIC REVIEW

Economic portrayed a mixed picture in FY13. The headline CPI inflation dipped to record low (new base year) of 5.8% in June'13, while average inflation during FY13 stood at 7.4% as against 11.0% in last year. Substantial decline in consumer gas tariff is rendering into low base effect. The subdued inflation numbers along with disbursement of CSF (Coalition support fund) the central bank to focus on revival of growth particularly in 1HFY13. Staggered in 4-stages, SBP reduced the discount rate by 300bps to 9.0% during this period while as the pressure started to mount on forex front adopted a more cautious stance. Also, in January monetary policy the state bank raised the floor by 50bps. Country's current account (CA) deficit stood at US\$2.3bn in FY13 versus deficit of US\$4.7bn in the same period last year. Impact of subdued oil prices also helped current account with country's trade balance declining to US\$15.1bn as against US\$15.8bn last year. Workers remittance grew by 6% in FY13 to US\$13.9bn. However, pressure to external account came from financial account (FA) which posted a meager surplus of US\$279mn against US\$1.2bn last year. This was mainly due to higher debt payments and subdued investment flows. Resultantly, Pakistan's forex reserves, which stood at US\$15.2bn at the start of the year came down to around US\$11.0bn at the end of the year with SBP reserve coming down to US\$5.0bn from US\$10.8bn. This in turn kept PKR under pressure with PKR depreciated by 5.4% against the greenback to close the year at PKR99.8.

On the fiscal front, low tax mobilization and higher subsidy outlay (particularly power) remained the major concerns. Subsequently, fiscal deficit remained on the higher side in FY13 clocking in at 8.0% of GDP (Pkr1.5tn) as against 8.5% of GDP (Pkr1.8tn) in FY12.

On the interest rate front, the cut-off yield on the benchmark declined by an average 253bps to 9.8% while yields on 10-year paper reduced by 134bps to 11.6%. The reduce yields is a reflection of the central bank accommodating monetary policy. The yields on benchmark 6-months KIBOR declined to 9.8% in FY13 from 11.8% in FY12.

EQUITY MARKET REVIEW

Despite heightened security concerns and the rampant energy crisis, Pakistan's equity market witnessed an impressive bull run during FY13. The much awaited political transition post-elections (May'13) served as the major trigger. Initially, investors cheered the expected change in political set-up, while a stronger than expected showing of PML-N (Pakistan Muslim League-Nawaz) in May'13 provided further stimulus. The market positively viewed the clear majority of Nawaz Sharif led PML-N that has a history of pro-business and investor friendly policies. Subsequently, Pakistan's equity market emerged as one of the best performing Asian Markets with the benchmark KSE-100 Index yielding a 9-year high return of 52% (44% in US\$ terms) in FY13. Furthermore, the positive sentiment pushed the index to a new high of 22,919 points (Jun 18'13) as it finally closed at 21,005 points. Market Capitalization rose to Pkr5.1tn beating the previous high of Pkr4.8tn on Apr 19'08. However, in US dollar terms market capitalization of US\$51.7bn is still 31% lower compared to its historic high of US\$74.9bn.

Other factors that fostered the positive sentiment included the reduced interest rate scenario and higher foreign flows. Staggered in 4-stages, the central bank reduced the policy rate to its 7-year low of 9.0% in FY13 as it switched its focus on growth revival after subdued inflation numbers. The reduced interest rate facilitated the fund flows towards the equity markets.

Foreigners who hold approx. 31% of free float and 8% of market capitalization once again remained a potent force in the market. They bought shares worth of US\$1.6bn and sold shares worth of US\$1.0bn rendering into a net buy of US\$562mn (including Unilever Buyback). This compares favorably with the net outflow of US\$189mn recorded in FY11.

Subsequently, average daily volume significantly improved to PkR5.7bn (US\$59mn) up 44% (33% in US\$ terms) from PkR4.0bn (US\$44bn) recorded in the preceding year. In terms of share traded, the average volume rose by 54% to 201mn shares versus 130mn shares in FY12.

FUND PERFORMANCE

For the year ended June 30, 2013, Your Fund earned gross revenue of Rs. 203.72 million (2012: Rs. 156.68 million). This comprised of realized gain of Rs. 155.10 million (2012: Rs. 88.27 million), dividend income of Rs. 8.16 million (2012: Rs. 24.85 million), income on investments and bank deposits of Rs. 10.97 million (2012: Rs. 31.52 million), income from marginal trading of Rs. 24.64 million (2012: Rs. 4.46 million) and diminution on re-measurement of investments classified as held for trading of Rs. -7.04 million (2012: Rs. -68.05 million). During the year, the Fund has also made reversal of provisioning of Rs. 4.40 million against the loan and receivable from Invest Capital Investment Bank.

Expenses for the year accounted Rs 45.22 million (2012: Rs. 36.64 million). Thus, the Net Income for the year ended June 30, 2013 accounted Rs 134.08 million (2012: Rs. 24.35 million). Earning per certificate for the year under review worked out to Rs. 1.22 as against Re. 0.22 last year.

The net asset of the Fund witnessed an increase of 19.06% during the year to reach a figure of Rs. 941.51 million as on June 30, 2013 as compared to Rs. 790.82 million on June 30, 2012. Net Asset Value per certificate stands at Rs. 8.54 on June 30, 2013 (Rs. 7.17 on June 30, 2012).

The Board of Directors has approved a bonus distribution of 11.10% i.e. 1.11 certificates for every 10 certificates held in NAMCO Balanced Fund for the year ended June 30, 2013.

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.

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 expired on 20 November 2012. The Certificate holder of NAMCO Balanced Fund, in Extraordinary Meeting which was held on January 31, 2013, has approved the conversion of NAMCO Balanced Fund into an Open-end Fund. We are pleased to inform you that Second Supplemental Trust Deed of NAMCO Balanced Fund has been approved by Securities & Exchange Commission of Pakistan and is with the Sub-Registrar Office for the registration. Regulatory approval of Replacement Offering Document of NAMCO Balanced Fund is also under process. We hope that this conversion process will complete soon.

FUTURE OUTLOOK

After posting a robust growth of 52% during FY13, the future direction of the equity market hinges on the new govt plans for reviving the ailing economy and boost investors' confidences. Market would keenly follow the development on the announced mega infrastructural development projects, the steps to overcome the prevalent energy crisis and reinitiating of the privatization process. Positive developments on these fronts bodes well for the profitability of the major listed sector and thus hold the potential to further re-rate the market from current levels. Cautioning factor this year would be the recent swing of the central bank towards monetary tightening and steep devaluation of PkR versus the greenback.

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. Outlook on the rating has been revised from 'Positive' to 'Negative'. 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 assigned 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.
- * 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.8 (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, 2013 has been annexed on page No.8 (Annexure-B).
- * The detailed pattern of certificate holdings as required by Code of Corporate Governance has been annexed on page no.9 (Annexure-C).

Board Meetings

The three years term of previous Board Of the Management Company was ended on November 30, 2012. The number of directors on the board was increased from six to seven and following directors were elected in EOGM held on 30 November 2012 for next term of three (3) years commencing from December 01, 2012:

1.	Lt. General (Retd.) M. Hamid Khan	Director/Chairman
2.	Mr. Shafiq A. Khan	Director
3.	Mr. Malik Shahid Mahmood	Director
4.	Mr. Saleem Shahzada	Director
5.	Hafiz Avais Ghani	Director
6.	Mr. Imtiaz Bashir	Director
7.	Mr. Muhammad Asim Mustafa	Director

A total of four board meetings were held during the year details of which together with attendance by each director are as follows:

Name	Designation	Total	Meetings Attended
Lt. General (Retd.) M. Hamid Khan	Chairman	4	3
Mr. Shafiq A. Khan	Director	4	3
Mr. Malik Shahid Mahmood	Director	4	4
Justice (Retd.) M. Javed Buttar	Director	2	-
Mr. Mubarik Ali	Director	2	2
Mr. Shazib Masud	Director	2	2
Hafiz Avais Ghani	Director	2	1
Mr. Imtiaz Bashir	Director	2	2
Mr. Muhammad Asim Mustafa	Director	2	2



Leaves of absence were granted to the Directors who could not attend the Board Meeting.

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 October 3, 2013 recommended their reappointment as auditors of the Fund for the year to be ended June 30, 2014.

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.

**October 3, 2013
Lahore**

**Lt. General (Retd.) M. Hamid Khan
Chairman**

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. Shafiq A. Khan	Director	-	-	-
3.	Mr. Malik Shahid Mahmood	Director/Ex CEO	-	-	-
4.	Mr. Imtiaz Bashir	Director	-	-	-
5.	Mr. Saleem Shahzada	Director	-	-	-
6.	Mr. Muhammad Asim Mustafa	Director	-	-	-
7.	Hafiz Avais Ghani	Director	-	-	-
8.	Mr. Muhammad Faraz	CFO	-	-	11
9.	Mr. Asif Mumtaz Mian	Company Secretary	-	-	-

Annexure B

Statement showing certificates held by directors, CEO, CFO and Company Secretary of National Asset Management Company Limited (The Management Company) and their spouses and minor children for the year ended June 30, 2013.

S. No.	Name	Designation	Shares held
1.	Lt. General (Retd.) M. Hamid Khan	Chairman	-
2.	Mr. Shafiq A. Khan	Director	-
3.	Mr. Malik Shahid Mahmood	Director/Ex CEO	-
4.	Mr. Imtiaz Bashir	Director	-
5.	Mr. Saleem Shahzada	Director	-
6.	Mr. Muhammad Asim Mustafa	Director	-
7.	Hafiz Avais Ghani	Director	-
8.	Mr. Muhammad Faraz	CFO	551
9.	Mr. Asif Mumtaz Mian	Company Secretary	-

**Annexure C**Pattern of Certificate Holding of **NAMCO Balance Fund** as per requirement of Code of Corporate Governance as at June 30, 2013.**PATTERN OF CERTIFICATE HOLDING**

Details	Certificates held	%
Associated Companies		
National Asset Management Company Limited	13,731,867	12.45%
Switch Securities (Pvt.) Limited	2,000,000	1.81%
First Pakistan Securities Limited	1,667,252	1.51%
First National Equities Limited	500,216	0.45%
Chief Executive	-	0.00%
Banks and Financial Institutions	30,309,438	27.49%
Foreign Investors	26,677,545	24.19%
Individuals	3,036,510	2.75%
Retirement Funds	20,296,583	18.41%
Other corporate sector entities	12,048,589	10.93%
TOTAL	110,268,000	100.00%



KEY FINANCIAL DATA AT A GLANCE

	2013	2012	2011	2010	2009	2008	Rs. Million Sep 16, 2006 to June 30, 2007
Total Income / (Loss)	179.31	60.99	113.60	136.61	(262.00)	16.88	173.06
Net Income / (Loss)	134.08	24.35	85.97	100.16	(289.56)	(25.21)	136.57
Total Assets	960.28	799.80	777.08	693.54	730.47	1,036.15	1,206.42
Net Assets	941.51	790.82	766.21	678.16	721.81	1,018.80	1,136.57
Certificate Capital	1,102.68	1,080.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Earning per certificate (Rs.) (Restated)	1.22	0.22	0.78	0.91	-2.63	-0.23	1.24
Net Asset Value per certificate (Rs.) (Restated)	8.54	7.17	6.95	6.15	6.55	9.24	10.31
Cash Dividend (Rs.)	-	-	-	1.50	-	-	1.00
Cash Dividend (%)	-	-	-	15%	-	-	10%
Stock Dividend (%)	11.1%	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 also has a focus of long term preservation of capital. 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. 941.51 Million
NAV per Certificate	Rs. 8.54
Management Fee	2.00%
Trustee	MCB Financial Services
Auditor	KPMG Taseer Hadi & Co.
Listing	KSE
	70% KSE-100 index and
Benchmark	30% 1 Month KIBOR ASK

Equities Market Review

KSE-100 was one of the best performing markets in the world in FY13. KSE-100 rose by 52% during FY13 against average annual growth of 25% during the past three fiscal years. Strong foreign inflows, smooth transition of government, low interest rate environment, strengthening fundamentals and a stable macroeconomic environment allowed the stock market to end the year on a strong note. The market touched an all-time high of 22,919 (intraday) on 18th June 2013.

Volumes remained healthy with average daily turnover of 200mn shares traded during the year. Index volume was 1.5x and 2x higher than average turnover in FY12 and FY11. Foreign investors remained net buyers during the year with net foreign inflows of ~USD569mn in FY13 as opposed to net outflow of USD189mn during FY12.

A combination of lower commodity prices, monetary easing, CSF inflows, foreign inflows, rupee depreciation, smooth political transition, buyback of Unilever Pakistan and an expectation of circular debt resolution IMF loan extension acted as catalysts to the strong performance of the stock market. These positive developments managed to play down the negative sentiments arising from poor law and order situation and energy crisis in the country.

The SBP adopted easing policy during FY13 in the light of key challenges that remained in the form of weak economic growth and a large fiscal deficit, though current account balance was much improved.

Distribution

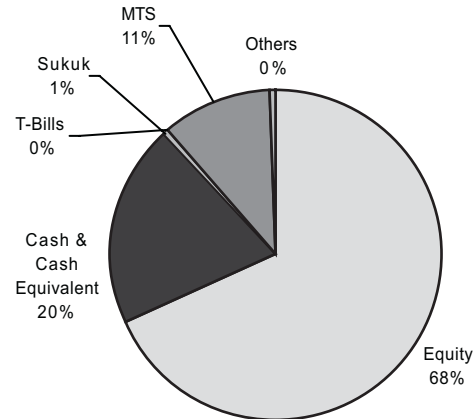
NBF distributed 11.10% bonus dividend during the year

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

	FY13	FY12
Equity	68.29%	67.19%
Cash & Cash Equivalent	19.65%	8.82%
MTS	10.90%	21.06%
Others	0.48%	1.97%
Sukuk	0.68%	0.91%
COIs/COMs/TDRs	0.00%	0.05%



Equity Segment Break Down

CONSTRUCTION & MATERIALS	20.20%
BANKS	12.01%
OTHERS	11.98%
FINANCIAL SERVICES	8.81%
ELECTRICITY	4.98%
NON LIFE INSURANCE	3.96%
CHEMICALS	3.21%
FOOD PRODUCERS	3.14%
TOTAL	68.29%

Split of Shares

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

Investment Committee Members

Mr. Muhammad Faraz - Chief Financial Officer
 Mr. Faisal Merchant - Chief Investment Officer
 Mr. Ali Jaffaar - Fund Manager

PERFORMANCE TABLE

Performance Table		
Net Asset	30-Jun-13	30-Jun-12
Net Asset Value (Million Rs)	940.51	790.82
NAV per unit (Rs) (Restated)	8.54	7.17
Highest NAV (Rs)	9.05	8.32
Lowest NAV (Rs)	7.11	6.91
Certificate Capital (Million Rs)	1,102.68	1,080
Net Income (Million Rs)	134.08	24.35

Distribution (Rs/Unit)	30-Jun-13	30-Jun-12
First Interim	-	-
Second Interim	-	-
Third Interim	-	-
Final	-	-
Total	-	-
Bonus (%)	11.10%	2.10%
Average Return for the Year (%)	19.81%	3.08%

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
OF CORPORATE GOVERNANCE TO THE CERTIFICATE HOLDERS
FOR THE YEAR ENDED 30 JUNE 2013**

This statement is being presented by the Board of Directors of National Asset Management Company Limited (The Company), the Management Company of NAMCO Balanced Fund (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in regulation of Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Fund is managed in compliance with the best practices of corporate governance.

National Asset Management Company Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Karachi Stock Exchange.

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

- The Company encourages representation of independent non-executive directors on its Board of Directors (The Board). The Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category/Names	Names
Independent Directors	<ul style="list-style-type: none"> • Lt. General M. Hamid Khan • Mr. Shafiq A. Khan • Mr. Saleem Shahzada • Mr. Hafiz Avais Ghani • Mr. Imtiaz Bashir • Mr. Asim Mustafa
Executive Director	Vacant
Non-Executive Directors	<ul style="list-style-type: none"> • Mr. Malik Shahid Mehmood

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

- 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).
- 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.
- There was no casual vacancy in the Board of Directors. However, the number of directors on the board has increased from six to seven and accordingly all such directors were elected by the shareholders on 30 November 2012. The casual vacancy of Chief Executive Officer who resigned on 31 May 2013 has not yet been filled by the Board.
- 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 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.
- 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 who resigned on 31 May 2013 and non-executive directors, have been taken by the Board.
- 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. Orientation Program for the Board of Directors was conducted during the year in the month of February. The directors have also been provided with copies of 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 Company however intends to facilitate further training for the directors in near future as per defined in the Code of Corporate Governance.
10. No new appointment of CFO has been made during the year. However a new company secretary was appointed 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 for the year ended 30 June 2013 were duly endorsed by CFO before approval of the Board. The position of CEO is vacant since 31 May 2013.
13. The directors, CEO who resigned on 31 May 2013 and executives do not hold any interest in the certificates of the Fund other than that disclosed in the certificate holding pattern of the Fund.
14. Except appointment of Chief Executive Officer, 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.
16. Except second quarter, 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 formed an HR and Remuneration Committee which comprises three members and all of them are independent directors including the Chairman of the Committee.
18. The Board 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. However such employee resigned from his position on 20 April 2013.
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 certificate 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.

Chairman
Board of Directors

Dated: 3 October 2013

**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, 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, the Management Company of NAMCO Balanced Fund, has in all material respects managed NAMCO Balanced Fund, during the year ended 30th June 2013 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) 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 inter alia states that as per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a closed-end fund, upon expiry of five years from 21 November 2007 or the date of launch of the fund whichever is later, convert into an open-end scheme or revoke the closed-end scheme. On 31 January 2013, the Management Company held a meeting of the certificate holders, whereby the certificate holders resolved and approved the conversion of the fund from close end fund (NBF) into an open end scheme. Subsequently, on 3 May 2013, Securities and Exchange Commission of Pakistan (SECP) vide its letter number SCD/AMCW/NBF/514/2013 approved the conversion of NBF into open end scheme with effect from 1 July 2013 which has been further extended up to 20 July 2013. However, the Fund has not been converted and the management applied for an extension for one month for effective date of conversion. SECP reply in this respect is yet to be received.

Karachi: October 3, 2013

**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 ("Management Company") to comply with the Listing Regulations of the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited), 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 Company's corporate governance procedures and risks.

Further, Listing Regulations notified by the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of 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 undertaken at arm's length price or not.

As more fully explained in paragraphs 1, 4, 6, 9, 12, 14, 16 and 18 which describes inconsistencies in respect of casual vacancy of Chief Executive Officer (CEO), records of significant policies, training programs for directors, endorsement of financial statements by CEO, compliance with the corporate requirements of the Code, quarterly meeting of audit committee and appointment of internal auditor respectively.

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 as applicable to the Fund for the year ended 30 June 2013.

Date: 3 October 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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 2013 and the income statement, statement of comprehensive income, cash flow statement, distribution statement, statement of movement in 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 2013 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 note 1 of the accompanying financial statements which inter alia states that as per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a closed-end fund, upon expiry of five years from 21 November 2007 or the date of launch of the fund whichever is later, convert into an open-end scheme or revoke the closed-end scheme. On 31 January 2013, the Management Company held a meeting of the certificate holders, whereby the certificate holders resolved and approved the conversion of the fund from close end fund (NBF) into an open end scheme. Subsequently, on 3 May 2013, Securities and Exchange Commission of Pakistan (SECP) vide its letter number SCD/AMCW/NBF/514/2013 approved the conversion of NBF into open end scheme with effect from 1 July 2013 which has been further extended up to 20 July 2013. However, the Fund has not been converted and the management applied for an extension for one month for effective date of conversion. SECP reply in this respect is yet to be received. Our opinion is not modified in respect of the aforementioned matter.

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: 3 October 2013

Karachi



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

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2013

	<i>Note</i>	2013	2012
		(Rupees)	
Assets			
Balances with banks	4	191,377,941	70,560,270
Investments	5	654,855,860	545,031,701
Receivable against Marginal Trading System	6	108,350,687	168,446,220
Receivable against sale of investments		880,270	9,939,098
Dividend and other receivables	7	1,818,058	2,722,364
Security deposits and prepayment	8	2,996,500	3,098,891
Total Assets		960,279,316	799,798,544
Liabilities			
Payable to National Asset Management Company Limited - Management Company	9	1,973,479	1,543,547
Payable to the MCB Financial Services Limited - Trustee	10	124,402	51,558
Payable to Securities and Exchange Commission of Pakistan	11	721,897	678,803
Unclaimed dividend		5,490,781	5,490,781
Accrued expenses and other liabilities	12	10,456,056	1,212,752
Total Liabilities		18,766,615	8,977,441
Contingency	13		
Net assets attributable to certificate holders		941,512,701	790,821,103
Certificate capital and reserves			
Certificate capital	14	1,102,680,000	1,080,000,000
Unrealised appreciation on re-measurement of investments classified as 'available for sale' - net		25,143,636	8,535,887
Accumulated losses		(186,310,935)	(297,714,784)
Total certificate holders' fund		941,512,701	790,821,103
			<i>(Restated)</i>
Net assets value per certificate	17	8.54	7.17

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

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

Director

Director

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	<i>Note</i>	2013	2012
		(Rupees)	
Income			
Capital gains on sale of investments - net		155,102,422	88,266,018
Income from marginal trading		24,638,621	4,458,943
Dividend income		8,164,750	24,848,610
Profit on investments and bank balances	15	10,965,297	31,522,897
Gain on spread transactions		278,129	-
Diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net		(7,040,634)	(68,051,927)
Impairment loss on investments classified as 'available for sale'		(17,373,686)	(2,239,075)
Reversal / (provision) against non-performing investments classified as 'loans and receivables'	5.3	4,400,000	(25,400,000)
Reversal of provision against investments classified as 'held to maturity'	5.4	171,875	7,585,938
		179,306,774	60,991,404
Expenses			
Remuneration to National Asset Management Company Limited -Management Company	9.1	16,985,817	18,575,648
Sindh sales tax on management fee	9.2	2,742,171	2,972,087
Federal excise duty on management fee	9.3	152,641	-
Remuneration to the MCB Financial Services Limited - Trustee		679,387	638,883
Annual fee to Securities and Exchange Commission of Pakistan		721,897	678,803
Annual fee to Central Depository Company of Pakistan Limited		67,500	67,500
Annual fee to National Clearing Company of Pakistan Limited		250,000	74,657
Securities transaction costs		12,243,512	11,282,248
Levy and laga charges		1,966,592	220,217
Auditors' remuneration		575,000	525,000
Annual listing fee		216,129	190,322
Bank charges		31,869	15,310
Legal and professional charges		155,000	340,301
Provision for Workers' Welfare Fund	12.1	7,031,870	-
Other expenses		1,403,540	1,055,728
		45,222,925	36,636,704
Net income before taxation		134,083,849	24,354,700
Taxation	16	-	-
Net income for the year		134,083,849	24,354,700
			<i>(Restated)</i>
Basic and diluted earnings per certificate	17	1.22	0.22

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

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

 Director

 Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	<i>Note</i>	2013	2012
		(Rupees)	
Net income for the year		134,083,849	24,354,700
Other comprehensive income for the year			
<i>Items to be reclassified to income statement in subsequent periods:</i>			
- Net unrealised appreciation in the value of investments classified as 'available for sale'	5.2	22,992,160	5,540,321
- Investments classified as 'available for sale' transferred to income statement			
- Impairment losses		(6,209,411)	2,239,075
- On disposal		(175,000)	(7,520,206)
		16,607,749	259,190
Total comprehensive income for the year		150,691,598	24,613,890

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

For National Asset Management Company Limited
(Management Company)

Director

Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	<i>Note</i>	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		(Rupees)	
Net income before taxation		134,083,849	24,354,700
Adjustments for:			
Diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net		7,040,634	68,051,927
Impairment loss on investments classified as 'available for sale' (Reversal) / provision against non-performing investments classified as 'loans and receivables'		17,373,686	2,239,075
Reversal of provision against investments classified as 'held to maturity'		(4,400,000)	25,400,000
		<u>(171,875)</u>	<u>(7,585,938)</u>
		153,926,294	112,459,764
Movement in:			
Investments - net		(113,058,855)	(34,941,066)
Receivable against Marginal Trading System		60,095,533	(168,446,220)
Receivable against sale of investments		9,058,828	(8,983,161)
Security deposits and prepayment		102,391	(423,891)
Dividend and other receivables		904,306	1,262,629
Accrued expenses and other liabilities		9,243,304	261,631
Payable to National Asset Management Company Limited - Management Company		429,932	(2,191,268)
Payable to the MCB Financial Services Limited - Trustee		72,844	1,689
Payable to Securities and Exchange Commission of Pakistan		43,094	35,939
Net cash flows from / (used in) operating activities		<u>120,817,671</u>	<u>(100,963,954)</u>
Cash and cash equivalents at beginning of the year		<u>70,560,270</u>	171,524,224
Cash and cash equivalents at end of the year	4	<u><u>191,377,941</u></u>	<u><u>70,560,270</u></u>

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

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

Director

Director

**DISTRIBUTION STATEMENT**
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees)	
Undistributed loss brought forward		
- Realised losses	(209,609,720)	(180,642,620)
- Unrealised losses	<u>(88,105,064)</u>	<u>(61,426,864)</u>
	<u>(297,714,784)</u>	<u>(242,069,484)</u>
<i>Distribution during the year</i>		
Final distribution of bonus @ 2.1% for the year ended 30 June 2012 (30 June 2011 : 8%)	(22,680,000)	(80,000,000)
Net income before taxation	134,083,849	24,354,700
Undistributed loss carried forward	<u>(186,310,935)</u>	<u>(297,714,784)</u>
Undistributed loss comprising:		
- Realised losses	(154,864,745)	(209,609,720)
- Unrealised losses	<u>(31,446,190)</u>	<u>(88,105,064)</u>
	<u>(186,310,935)</u>	<u>(297,714,784)</u>

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

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

Director

Director

STATEMENT OF MOVEMENT IN RESERVES 'PER CERTIFICATE'
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012 <i>(Restated)</i> <i>Note 18</i>
	(Rupees)	
Net assets per certificate at beginning of the year	7.17	6.95
Capital gains on sale of investments - net	1.42	0.80
Income from marginal trading	0.22	0.04
Dividend income	0.07	0.22
Gain on spread transaction	0.00	-
Profit on investments and bank balances	0.10	0.29
Diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(0.06)	(0.62)
Impairment loss on investments classified as 'available for sale'	(0.16)	(0.02)
Reversal / (provision) against non-performing investments classified as 'loans and receivables'	0.04	(0.23)
Reversal of provision against investments classified as 'held to maturity'	-	0.07
Expenses	(0.41)	(0.33)
	1.22	0.22
Unrealised appreciation on re-measurement of investments classified as 'available for sale' - net	0.15	-
Net assets per certificate at end of the year	8.54	7.17

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

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

Director

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013**

	Certificate capital	Unrealised appreciation on re-measurement of investments classified as available for sale - net	Accumulated losses	Total
	----- (Rupees) -----			
Balance as at 01 July 2011	1,000,000,000	8,276,697	(242,069,484)	766,207,213
Total comprehensive income for the year				
Net income for the year	-	-	24,354,700	24,354,700
Other comprehensive income				
<i>Items to be reclassified to income statement in subsequent periods:</i>				
- Net unrealised 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	<u>1,080,000,000</u>	<u>8,535,887</u>	<u>(297,714,784)</u>	<u>790,821,103</u>
Total comprehensive income for the year				
Net income for the year	-	-	134,083,849	134,083,849
Other comprehensive income				
<i>Items to be reclassified to income statement in subsequent periods:</i>				
- Net unrealised appreciation in the value of investments classified as 'available for sale'	-	22,992,160	-	22,992,160
Investments classified as 'available for sale' transferred to income statement	-	-	-	-
- impairment loss	-	(6,209,411)	-	(6,209,411)
- on disposals	-	(175,000)	-	(175,000)
Total comprehensive income for the year	-	16,607,749	134,083,849	150,691,598
<i>Transactions with owners recorded directly in equity - distribution</i>				
Final distribution of bonus @ 2.1% for the year ended 30 June 2012 (30 June 2011 : 8%)	22,680,000	-	(22,680,000)	-
Balance as at 30 June 2013	<u><u>1,102,680,000</u></u>	<u><u>25,143,636</u></u>	<u><u>(186,310,935)</u></u>	<u><u>941,512,701</u></u>

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

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

Director

Director

NOTES THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 03 May 2006. It was constituted under a Trust Deed, dated 17 April 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 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.

Under the regulation 65 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, an Asset Management Company managing a Closed-End Fund or an Investment Company shall, upon the expiry of five years from 21 November 2007 or the date of the launch of the Fund whichever is later, hold within one month of such period, a meeting of the certificate holders in case of a Closed-End Scheme or shareholders in case of an investment company to seek their approval to convert into an Open-End Scheme or revoke the Closed-End Scheme / wind-up the investment company.

As required by clause 65 of the Non-Banking Finance Companies Notified Entities Regulations, 2008 (NBFC Regulations), the conversion of closed end fund in to an open end mutual fund is in process. A meeting was conducted on 31 January 2013 whereby the certificate holders resolved and approved the conversion of the Fund in to an open end scheme subject to fulfilment of all regulatory and corporate formalities and approval of the Securities and Exchange Commission of Pakistan (SECP).

SECP vide its letter No. SCD/AMCW/NBF/514/2013 dated 3 May 2013 has approved the conversion of the Fund into an open end scheme subject to the following conditions:

- The effective date for the conversion of NBF into open end scheme shall be no later than 1 July 2013.
- Conversion cost shall be charged to NBF immediately on the effective date and shall not be amortized.
- All the deposited property, assets and liabilities along with allied balances of NBF shall remain intact in the open end structure.
- The Asset Management Company (AMC) shall submit constitutive documents of NBF for the approval of Commission and comply with all other relevant regulations before announcement of Book Closure date for the purpose of effective date for conversion.

On the Management Company's request, the SECP vide its letter No. SCD/AMCW/NBF/ 617/2013 dated 01 July 2013 has extended the effective date by 20 July 2013 for the conversion of NAMCO Balanced Fund (NBF), closed-end scheme into open-end scheme and also state that all conditions imposed by SECP vide its letter No SCD/AMCW/NBF/514/2013 dated 3 May 2013 shall remain same.

The Management Company through letter dated 19 July 2013 requested SECP to grant an extension in the effective date of conversion for a further period of one month to complete the conversion process smoothly.

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 there against (note 3.1.1 and 3.1.6).

2.5 Standards, interpretations and amendments which became effective during the year

Following are the amendments of approved accounting standards which became effective for the current period:

- IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
- IAS 12 - Deferred tax on investment property (Amendment)

The adoption of the above amendments of the standards did not have any impact on the financial statements except for additional disclosures as required by IAS 1 amendment.

2.6 Standards, interpretations and amendments to approved accounting standards, that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 01 January 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.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 01 January 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 01 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 01 January 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 01 January 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 01 January 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.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 01 January 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.
- 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 amendments have no impact on financial statements of the Fund.
- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 01 January 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.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 01 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 01 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 01 January 2013). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

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 unless otherwise stated.

3.1 Financial Assets

3.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments-Recognition and Measurement', at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

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

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

d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) financial assets at fair value through profit or loss, (b) held to maturity investments or (c) loans and receivables. 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. 33 of 2012 dated 24 October 2012 (which is essentially the same as contained in Circular No. 1 of 2009, previously used). 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.

Subsequent to initial recognition, financial assets classified as '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 involve 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 No. 33 dated 24 October 2012 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. They are initially recognised at fair value and subsequently stated at amortised cost.

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

3.4 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. 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 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.
- Unrealised gains / (losses) arising on revaluation of investments classified as available for sale are included in the statement of comprehensive income 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 Earnings per certificate (EPC)

The Fund presents basic and diluted earnings per certificate (EPC) data for its certificate. Basic EPC is calculated by dividing the profit or loss attributable to certificate holders of the Fund by the weighted average number of certificates outstanding during the period. Diluted EPC is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificate.

3.8 Taxation

The income of the Fund is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the certificate holders.

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

The 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 on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax 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 certificate holders every year.

3.9 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.

3.10 Provision

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

3.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of five years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

3.12 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 insignificant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.13 Distributions

Distributions declared including the bonus certificates, subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.



4. BALANCES WITH BANKS

2013 2012

(Rupees)

Profit and loss sharing bank account	<u>191,377,941</u>	<u>70,560,270</u>
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Return on profit and loss sharing accounts range from 6% to 9% (30 June 2012: 5% to 11.5%) per annum. Cash and cash equivalents comprise of profit and loss sharing accounts. As at 30 June 2013, balances with banks amounted to Rs. 191.3 million represents 20.33% (30 June 2012: 8.92%) of the net assets.

5. INVESTMENTS

Financial asset at fair value through profit or loss - held for trading

Quoted equity securities	5.1	570,032,362	466,195,368
Available for sale			
Quoted equity securities	5.2	78,096,935	71,194,145
Loans and receivables			
Fixed income and other debt securities	5.3	-	400,000
Held to maturity			
Fixed income and other debt securities	5.4	<u>6,726,563</u>	<u>7,242,188</u>
		<u>654,855,860</u>	<u>545,031,701</u>

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 2013			Percentage in relation to		
	As at 1 July 2012	Purchases during the year	Sales during the year	Holding as at 30 June 2013	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid-up capital	Total investments
------(Rupees)-----										
FINANCIAL SERVICES										
First National Equities Limited	938,184	-	-	938,184	5,441,467	5,516,522	75,055	0.59%	0.68%	0.84%
Jahangir Siddiqui & Company Limited	4,673,913	1,443,087	6,117,000	-	-	-	-	0.00%	0.00%	0.00%
First Capital Securities Corporation Limited	1,915,000	-	1,915,000	-	-	-	-	0.00%	0.00%	0.00%
	7,527,097	1,443,087	8,032,000	938,184	5,441,467	5,516,522	75,055			
NON LIFE INSURANCE										
Adamjee Insurance Company Limited	609,500	414,500	1,024,000	-	-	-	-	0.00%	0.00%	0.00%
Pak Reinsurance Company limited	-	351,000	50,000	301,000	7,420,035	7,112,630	(307,405)	0.76%	0.10%	1.09%
EFU General Insurance Limited	-	361,000	11,000	350,000	31,995,058	30,450,000	(1,545,058)	3.23%	0.28%	4.65%
	609,500	1,126,500	1,085,000	651,000	39,415,093	37,562,630	(1,852,463)			
PERSONAL GOODS										
Azgard Nine Limited	1,178,303	1,000,000	2,178,303	-	-	-	-	0.00%	0.00%	0.00%
Kohinoor Textile Mills Limited	-	6,399,500	2,149,500	4,250,000	67,772,605	70,762,500	2,989,895	7.52%	1.73%	10.81%
Redco Textile Limited	-	802,500	5,000	797,500	3,755,770	3,389,375	(366,395)	0.36%	1.62%	0.52%
Din Textile Mills Limited	-	100,000	-	100,000	5,779,890	6,100,000	320,110	0.65%	0.49%	0.93%
Latif Jute Mills Limited	37,658	-	11,658	26,000	156,000	155,740	(260)	0.02%	0.73%	0.02%
	1,215,961	8,302,000	4,344,461	5,173,500	77,464,265	80,407,615	2,943,350			
FOOD PRODUCERS										
Quice Food Industries Limited	-	300,000	-	300,000	2,951,000	2,592,000	(359,000)	0.28%	0.57%	0.40%
Punjab Oil Mills Limited	498,006	2,000	71,506	428,500	22,718,906	27,209,750	4,490,844	2.89%	7.95%	4.16%
	498,006	302,000	71,506	728,500	25,669,906	29,801,750	4,131,844			
CONSTRUCTION & MATERIALS										
D.G. Khan Cement Limited	200,000	1,351,000	1,551,000	-	-	-	-	0.00%	0.00%	0.00%
Fauji Cement Company Limited	13,525,000	4,898,500	18,423,500	-	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Limited	408,700	5,662,800	2,730,000	3,341,500	84,084,577	98,139,855	14,055,278	10.42%	1.47%	14.99%
Lafarge Pakistan Cement Limited	6,767,592	7,205,000	13,972,592	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory Limited	-	15,053,000	12,503,000	2,550,000	53,945,125	55,921,500	1,976,375	5.94%	0.48%	8.54%
Dewan Cement Limited	-	15,516,500	10,157,000	5,359,500	42,710,015	36,766,170	(5,943,845)	3.91%	1.38%	5.61%
Berger Paint Pakistan Limited	-	118,500	78,500	40,000	1,058,635	924,000	(134,635)	0.10%	0.22%	0.14%
	20,901,292	49,805,300	59,415,592	11,291,000	181,798,352	191,751,525	9,953,173			

Name of investee	Number of shares				Balance as at 30 June 2013			Percentage in relation to		
	As at 1 July 2012	Purchases during the year	Sales during the year	Holding as at 30 June 2013	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid-up capital	Total investments
------(Rupees)-----										
INDUSTRIAL METALS AND MINING										
Crescent Steel & Allied Products Limited	279,147	353	279,500	-	-	-	-	0.00%	0.00%	0.00%
FIXED LINE TELECOMMUNICATION										
Pak Datacom Limited	-	108,000	1,000	107,000	8,043,099	7,705,070	(338,029)	0.82%	1.09%	1.18%
Pakistan Telecommunication Company Limited	-	850,000	750,000	100,000	2,165,000	2,219,000	54,000	0.24%	0.00%	0.34%
	-	958,000	751,000	207,000	10,208,099	9,924,070	(284,029)			
BANKS										
JS Bank Limited	10,687,699	301	9,447,500	1,240,500	6,326,556	5,396,175	(930,381)	0.57%	0.12%	0.82%
NIB Bank Limited	1,300,000	-	1,300,000	-	-	-	-	0.00%	0.00%	0.00%
Samba Bank Limited	12,575,259	141,500	9,726,759	2,990,000	6,894,952	7,684,300	789,348	0.82%	0.21%	1.17%
SILK Bank Limited	2,150,000	-	2,150,000	-	-	-	-	0.00%	0.00%	0.00%
Bank Islami Pakistan Limited	1,520,000	6,326,000	2,868,500	4,977,500	46,308,435	32,403,525	(13,904,910)	3.44%	0.94%	4.95%
Bank of Punjab Limited	-	5,379,000	-	5,379,000	74,531,408	68,528,460	(6,002,948)	7.28%	1.02%	10.46%
	28,232,958	11,846,801	25,492,759	14,587,000	134,061,351	114,012,460	(20,048,891)			
CHEMICALS										
Fauji Fertilizer Bin Qasim Limited	665,000	101,000	766,000	-	-	-	-	0.00%	0.00%	0.00%
Nimir Industries Chemical Limited	13,116,262	6,465,738	12,219,000	7,363,000	27,264,902	30,482,820	3,217,918	3.24%	6.66%	4.65%
	13,781,262	6,566,738	12,985,000	7,363,000	27,264,902	30,482,820	3,217,918			
TRAVEL AND LEISURE										
Pakistan Services Limited	-	13,500	300	13,200	3,473,488	3,908,520	435,032	0.42%	0.04%	0.60%
	-	13,500	300	13,200	3,473,488	3,908,520	435,032			
SUPPORT SERVICES										
TRG Pakistan Limited	650,000	6,024,500	6,674,500	-	-	-	-	0.00%	0.00%	0.00%
REAL ESTATE INVESTMENT AND SERVICES										
Pace Pakistan Limited	-	4,427,500	-	4,427,500	22,872,175	19,392,450	(3,479,725)	2.06%	1.59%	2.96%
ELECTRICITY										
Nishat Power Limited	873,381	-	873,381	-	-	-	-	0.00%	0.00%	0.00%
Karachi Electric Supply Corporation Limited	3,165,192	13,609,000	9,174,192	7,600,000	49,403,898	47,272,000	(2,131,898)	5.02%	0.08%	7.22%
	4,038,573	13,609,000	10,047,573	7,600,000	49,403,898	47,272,000	(2,131,898)			
	77,733,796	104,425,279	129,179,191	52,979,884	577,072,996	570,032,362	(7,040,634)			

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 2013			Percentage in relation to		
	As at 1 July 2012	Purchases during the year	Sales during the year	Holding as at 30 June 2013	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	11,374,225	1,402,091	-	12,776,316	51,355,235	75,124,738	23,769,503	7.98%	9.3%	11.47%
SME Leasing Limited	457,761	500	-	458,261	3,749,540	2,972,197	(777,343)	0.32%	1.4%	0.45%
	11,831,986	1,402,591	-	13,234,577	55,104,775	78,096,935	22,992,160			
ELECTRICITY										
Nishat Power Limited	100,000	-	100,000	-	-	-	-	0.00%	0.0%	0.00%
	100,000	-	100,000	-	-	-	-			
	11,931,986	1,402,591	100,000	13,234,577	55,104,775	78,096,935	22,992,160			

5.3 Investments classified as 'Loans and receivables'

	Profit / mark-up rate / yield	Maturity date	Carrying value as at 1 July 2012	Principal redemption during the year	Reversal of provision during 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	-	14-Dec-13	400,000	4,800,000	4,400,000	-	0.00%
								0.00%

5.3.1 As of 30 June 2012, the Fund has outstanding principal of Rs. 25.8 million, the Management Company in view of the deteriorating position and liquidity problems of the Invest Bank has made provision to the extent of subsequent recovery against the outstanding principal. During the year 2013, the Fund has received Rs. 4.8 million against outstanding principle.

5.4 Investments classified as 'Held to maturity'

	Profit mark-up rate	Maturity date	Carrying value as at 1 July 2012	Reversal of provision	Principal Redemption during the year	Carrying value as at 30 June 2013	Value as a percentage of net assets	Value as a percentage of investments
----- (Rupees) -----								
<i>Sukuk bonds of Rs. 5,000 each</i>								
BRR Guardian Modaraba								
2,000 bonds (2012: 2,000 bonds)	1 month KIBOR	7-Dec-16	7,242,188	171,875	687,500	6,726,563	0.71%	1.03%

	2013 (Rupees)	2012
6. RECEIVABLE AGAINST MARGINAL TRADING SYSTEM	6.1 108,350,687	168,446,220

6.1. This represents the amount receivable against Marginal Trading System and carries average profit rate of 13.84% (2012: 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
Profit receivable on sukuk bonds	1,034,597	1,126,628
MTS Income receivable	614,411	1,316,590
Profit receivable on balances with banks	169,050	-
	1,818,058	2,722,364

8. SECURITY DEPOSITS AND PREPAYMENT

National Clearing Company of Pakistan Limited	2,750,000	2,750,000
Central Depository Company of Pakistan Limited	175,000	175,000
Prepayment	71,500	173,891
	2,996,500	3,098,891

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

Management fee	9.1	1,664,585	1,330,761
Sindh Sales Tax and Federal Excise Duty on management fee	9.2 & 9.3	308,894	212,786
		1,973,479	1,543,547

9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 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. The remuneration of the Management Company has been charged at the rate of two percent per annum of the average annual net assets of the Fund.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011.

9.3 With effect from 13 June 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company through Finance Act 2013.

10. PAYABLE TO MCB FINANCIAL SERVICES LIMITED - 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 2013 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 21 November 2008.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013	2012
	(Rupees)	
Auditors' remuneration	375,000	325,000
Brokerage payable	2,748,698	732,321
Legal and tax consultancy payable	130,603	75,603
Withholding tax payable	30,228	30,228
Printing cost payable	65,000	49,600
Workers' Welfare Fund payable	12.1 7,031,870	-
Others	74,657	-
	<u>10,456,056</u>	<u>1,212,752</u>

12.1 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / 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.

Subsequent to the year ended 30 June 2011, 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. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year 2012, the Honourable 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, declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) in various Constitutional Petitions declared that amendments introduced in the WWF Ordinance, 1971 through Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to recognise the provision for WWF. Accordingly, the Fund has recognised aggregate provision for WWF amounting to Rs. 7.03 million, comprising of Rs.4.21 million for the period from 1 July 2010 to 30 June 2012 and Rs.2.82 million for the current year. If the same were not made net assets value per unit of the Fund would have been higher by Rs. 0.06.

13. CONTINGENCY

There is no contingency and commitment outstanding as at 30 June 2013.

14. CERTIFICATE CAPITAL

	2013	2012
	(Rupees)	
110,268,000 Fully paid ordinary certificates of Rs.10 each (30 June 2012: 108,000,000)	<u>1,102,680,000</u>	<u>1,080,000,000</u>

14.1 National Asset Management Company Limited (NAMCO) and First National Equities Limited (FNEL) hold 13,731,867 (30 June 2012: 13,138,052) and 500,216 (30 June 2012: 489,252) certificates respectively of Rs. 10 each as at 30 June 2013.

15. PROFIT ON INVESTMENTS AND BANK BALANCES

Profit on balances with banks	10,303,375	22,689,754
Profit on sukuk bonds	661,922	1,314,130
Profit on certificates of investments	-	1,926,076
Profit on treasury bills	-	1,605,071
Profit on Pakistan Investment Bonds	-	3,987,866
	<u>10,965,297</u>	<u>31,522,897</u>

16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the certificate holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the certificate holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2013 as reduced by capital gains (whether realised or unrealised) to its certificate holders. Accordingly, no tax liability has been recorded in the current period.

17. BASIC AND DILUTED EARNINGS AND NET ASSETS PER CERTIFICATE

Net income for the year	<i>Rupees</i> <u>134,083,849</u>	<u>24,354,700</u>
		<i>(Restated)</i>
Number of certificates in issue	<i>Number</i> <u>110,268,000</u>	<u>110,268,000</u>
Basic earnings per certificate	<i>Rupees</i> <u>1.22</u>	<u>0.22</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 2.268 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.

18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

18.1 Related parties include National Asset Management Company Limited being the Management Company, 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.

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

18.3 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.

18.4 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	2013	2012
	(Rupees)	
- Management fee	19,880,629	21,547,735
- Certificates issued [No. of certificates 317,916 (30 June 2012: 52,447)]	2,225,412	225,522
- 275,899 bonus certificates issued at Rs. 10 each (30 June 2012: 969,304)	1,186,370	9,693,040
First National Equities Limited		
- Brokerage	1,186,634	1,876,448
- Purchase of marketable securities	270,431,275	319,047,854
- Sale of marketable securities	231,410,746	213,510,971
- Certificate issued [No. of certificate 691 (30 June 2012: NIL)]	4,837	-
- 10,274 bonus certificates issued at Rs. 10 each (30 June 2012: 36,241)	44,180	362,410
First Pakistan Securities Limited		
- Brokerage	1,052,895	172,076
- Purchase of marketable securities	152,258,664	16,390,864
- Sale of marketable securities	140,736,509	1,591,941
- 34,292 bonus certificates issued at Rs. 10 each (30 June 2012: 120,960)	342,920	1,209,600
Switch Securities Limited		
- Brokerage	1,058,255	325,698
- Purchase of marketable securities	150,483,414	33,919,763
- Sale of marketable securities	89,325,912	9,647,240
- Certificate issued [No. of certificate Nil (30 June 2012: 540)]	-	2,322
- 45,371 bonus certificate issued at Rs. 10 each (30 June 2012: 160,000)	195,100	1,600,000
Executives of the Management Company		
Chief Investment Officer		
- 11 bonus certificate issued at Rs. 10 each (30 June 2012: 40)	110	400
Spouse of Chief Investment Officer		
- 11 bonus certificate issued at Rs. 10 each (30 June 2012: 40)	110	400
Chief Financial Officer		
- 11 bonus certificate issued at Rs. 10 each (30 June 2012: 40)	110	400
MCB Financial Services Limited		
- Remuneration to the trustee	679,387	638,883
Balances with connected persons / related parties		
National Asset Management Company Limited - Management Company		
- Management fee payable	1,973,479	1,543,547
- Certificates in issue [Number of certificates 13,731,867 (30 June 2012: 13,138,052)]	96,123,069	56,493,624
First National Equities Limited		
- Brokerage payable	92,828	81,909
- Certificates in issue [Number of certificates 500,216 (30 June 2012: 489,252)]	3,501,512	2,103,784
- Market value of Shares [Number of shares 13,714,500 (30 June 2012: 12,312,409)]	80,641,260	71,411,972

First Pakistan Securities Limited

- Brokerage payable	38,531	57,519
- Certificates in issue [Number of certificates 1,667,252 (30 June 2012: 1,632,960)]	11,670,764	7,021,728

Switch Securities Limited

- Brokerage payable	61,727	13,958
- Certificates in issue [Number of certificates 2,000,000 (30 June 2012: 2,160,540)]	14,000,000	9,290,322

Executives of the Management Company including spouses

Chief Investment Officer		
- Certificates in issue [Number of certificates 551 (30 June 2012: 540)]	3,857	2,322
Spouse of Chief Investment Officer		
- Certificates in issue [Number of certificates 551 (30 June 2012: 540)]	3,857	2,322
Chief Financial Officer		
- Certificates in issue [Number of certificates 551 (30 June 2012: 540)]	3,857	2,322

19. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2013				
	Assets at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	Total
	----- (Rupees) -----				
Financial assets					
Balances with banks	-	-	191,377,941	-	191,377,941
Investments	570,032,362	78,096,935	-	6,726,563	654,855,860
Receivable against Marginal Trading System	-	-	108,350,687	-	108,350,687
Receivable against sale of investments	-	-	880,270	-	880,270
Dividend and other receivables	-	-	1,818,058	-	1,818,058
Security deposits	-	-	2,925,000	-	2,925,000
	<u>570,032,362</u>	<u>78,096,935</u>	<u>305,351,956</u>	<u>6,726,563</u>	<u>960,207,816</u>

	As at 30 June 2013		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees) -----		
Financial liabilities			
Payable to National Asset Management Company Limited - Management Company	-	1,973,479	1,973,479
Payable to the MCB Financial Services Limited - Trustee	-	124,402	124,402
Payable to Securities and Exchange Commission of Pakistan	-	721,897	721,897
Unclaimed dividend	-	5,490,781	5,490,781
Accrued expenses and other liabilities	-	3,393,958	3,393,958
	<u>-</u>	<u>11,704,517</u>	<u>11,704,517</u>

	As at 30 June 2012				Total
	Assets at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity sale	
	----- (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 MCB Financial Services Limited - Trustee	-	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>

20. 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.

20.1 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.

20.1.1 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.

20.1.2 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.

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.

	Yield / interest rate (%)	As at 30 June 2013				Not exposed to Yield / Interest rate risk
		Total	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	191,377,941	191,377,941	-	-	-
Investments	1 month KIBOR	654,855,860	304,687	1,054,688	5,367,188	648,129,297
Receivable against Marginal Trading System	13.84	108,350,687	108,350,687	-	-	-
Receivable against sale of investments		880,270	-	-	-	880,270
Dividend and other receivables		1,818,058	-	-	-	1,818,058
Security deposits		2,925,000	-	-	-	2,925,000
		960,207,816	300,033,315	1,054,688	5,367,188	653,752,625
Financial liabilities						
Payable to National Asset Management Company Limited - Management Company		1,973,479	-	-	-	1,973,479
Payable to the MCB Financial Services Limited - Trustee		124,402	-	-	-	124,402
Payable to Securities and Exchange Commission of Pakistan		721,897	-	-	-	721,897
Unclaimed dividend		5,490,781	-	-	-	5,490,781
Accrued expenses and other liabilities		10,425,828	-	-	-	10,425,828
		18,736,387	-	-	-	18,736,387
On-balance sheet gap 2013		941,471,429	300,033,315	1,054,688	5,367,188	635,016,238
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap 2013		-	-	-	-	-
Total interest rate sensitivity gap			300,033,315	1,054,688	5,367,188	-
Cumulative interest rate sensitivity gap			300,033,315	301,088,003	306,455,191	-

Yield / interest rate (%)	Total	As at 30 June 2012			Not exposed to Yield / Interest rate risk
		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
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
Financial liabilities					
Payable to National Asset Management Company Limited - Management Company		1,543,547	-	-	1,543,547
Payable to the MCB Financial Services Limited - Trustee		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
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap 2012		-	-	-	-
Total interest rate sensitivity gap			239,500,240	281,250	6,867,188
Cumulative interest rate sensitivity gap			239,500,240	239,781,490	246,648,678

20.1.3 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 and Liabilities as financial assets 'at fair value thought 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 2013 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. 5.7 million and Rs. 0.78 million respectively. (30 June 2012: Rs. 4.661 million and Rs. 0.712 million respectively).

20.2 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 2013 and 30 June 2012:

Bank balances by rating category	2013	2012
	(Rupees)	
A1+	47,159,677	22,758,350
A-1	63,836,115	47,682,238
A-2	80,382,149	119,682
	<u>191,377,941</u>	<u>70,560,270</u>
Debt securities by rating category		
Non-investment grade	6,726,563	7,242,188
Non performing	-	400,000
	<u>6,726,563</u>	<u>7,642,188</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2013 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.

20.3 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 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 2013			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees) -----			
Financial liabilities (excluding certificate certificate holders' fund)				
Payable to National Asset Management Company Limited - Management Company	1,973,479	1,973,479	-	-
Payable to the MCB Financial Services Limited - Trustee	124,402	124,402	-	-
Payable to Securities and Exchange Commission of Pakistan	721,897	721,897	-	-
Unclaimed dividend	5,490,781	5,490,781	-	-
Accrued expenses and other liabilities	3,393,958	3,393,958	-	-
	<u>11,704,517</u>	<u>11,704,517</u>	<u>-</u>	<u>-</u>

	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 MCB Financial Services Limited - Trustee	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	-	-

21. 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.

22. 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. Treasury bills, Terms finance certificates and 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 No. 33 of 2012 dated 24 October 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its value is determined by making provisions in accordance with Circular No. 33 of 2012 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 2013			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Assets				
Financial assets held for trading				
- Quoted equity securities	570,032,362	-	-	570,032,362
Financial assets available for sale				
- Quoted equity securities	78,096,935	-	-	78,096,935
Investment in Sukuk Bonds	-	6,726,563	-	6,726,563
	648,129,297	6,726,563	-	654,855,860
	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
	537,389,513	7,242,188	-	544,631,701

23. CERTIFICATE HOLDING PATTERN OF THE FUND AS AT 30 JUNE 2013

No. of Certificate Holders	Having Certificate		Certificates held	Percentage
	From	To		
36	1	100	627	0.00%
16	101	500	4,095	0.00%
124	501	1000	68,929	0.06%
58	1001	5000	98,764	0.09%
8	5001	10000	48,212	0.04%
2	10001	15000	24,584	0.02%
2	15001	20000	31,315	0.03%
1	20001	25000	24,655	0.02%
1	25001	30000	27,066	0.02%
2	30001	35000	62,716	0.06%
2	45001	50000	95,714	0.09%
1	50001	55000	52,928	0.05%
2	60001	65000	121,147	0.11%
1	70001	75000	74,784	0.07%
1	85001	90000	90,000	0.08%
1	95001	100000	100,000	0.09%
2	105001	110000	219,716	0.20%
1	110001	115000	110,268	0.10%
1	120001	125000	121,294	0.11%
1	125001	130000	128,500	0.12%
2	130001	135000	268,500	0.24%
1	170001	175000	172,569	0.16%
2	225001	230000	459,082	0.42%
1	230001	235000	230,536	0.21%
2	270001	275000	543,784	0.49%
2	275001	280000	551,340	0.50%
1	315001	320000	317,917	0.29%
1	390001	395000	394,720	0.36%
1	485001	490000	488,950	0.44%
1	525001	530000	526,008	0.48%
3	550001	555000	1,654,020	1.50%
1	655001	660000	658,299	0.60%
1	835001	840000	838,780	0.76%
2	1020001	1025000	2,045,771	1.86%
1	1580001	1585000	1,580,875	1.43%
1	1620001	1625000	1,624,762	1.47%
1	1665001	1670000	1,667,252	1.51%
1	1995001	2000000	2,000,000	1.81%
2	2205001	2210000	4,410,720	4.00%
2	2755001	2760000	5,513,400	5.00%
1	5510001	5515000	5,513,400	5.00%
1	6015001	6020000	6,017,600	5.46%
1	6175001	6180000	6,175,008	5.60%
1	7570001	7575000	7,572,470	6.87%
1	7670001	7675000	7,672,396	6.96%
1	8335001	8340000	8,338,391	7.56%
1	10365001	10370000	10,365,192	9.40%
1	13385001	13390000	13,389,295	12.14%
1	17770001	17775000	17,771,649	16.12%
<u>301</u>			<u>110,268,000</u>	<u>100%</u>

24. PATTERN OF CERTIFICATE HOLDING

	As at 30 June 2013		
	Numbers of certificate holders	Number of Certificates	Percentage
	----- (Rupees) -----		
Individuals	261	3,036,510	2.75%
Banks, DFI's and Non-Banking Financial Institutions	9	30,309,438	27.49%
Associated Companies	8	17,899,335	16.23%
Foreign Investor	4	26,677,545	24.19%
Others	19	32,345,172	29.33%
	301	110,268,000	100%

	As at 30 June 2012		
	Numbers of certificate holders	Number of Certificates	Percentage
	----- (Rupees) -----		
Individuals	275	1,918,253	1.78%
Banks, DFI's and Non-Banking Financial Institutions	10	36,663,144	33.95%
Modarabas	1	81,000	0.08%
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%

25. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top brokers during the year ended 30 June 2013	2013
First Pakistan Securities (Private) Limited	11.42%
First National Equities Limited	11.33%
Switch Securities Limited	9.80%
Zillion Capital Securities (Private) Limited	5.87%
MM Securities (Private) Limited	4.75%
Summit Capital (Private) Limited	4.47%
Invest and Finance Securities Limited	4.13%
Shajar Capital Pakistan (Private) Limited	3.88%
Ismail Iqbal Securities (Private) Limited	3.34%
Dosslani's Securities (Private) Ltd	3.29%

Top brokers during the year ended 30 June 2012	2012
First National Equities Limited	19.15%
Invest Capital & securities (Private) Limited	13.50%
Next Capital Market limited	10.85%
Intermarket Securities (Private) Limited	6.23%
AKD Securities Limited	5.46%
Burj Capital Limited	5.04%
MM Securities Limited	4.62%
Summit Capital Limited	3.62%
MRA Securities (Private) Limited	3.53%
Switch Securities Limited	3.32%

26. PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

	Designation	Qualification	Experience in years
- Mr. Muhammad Faraz	CFO	ACMA / FPA	12
- Mr. Faisal Merchant	CIO	MBA	17
- Mr. Ali Jaffar*	Fund Manager	B.COM	8

* Mr. Ali Jaffar has been appointed as Fund Manager in place of Mr. Muhammad Arshad who resigned on 30 November 2012. The appointment of Fund Manager is subject to approval of Board of Directors.

** Mr. Malik Shahid Mahmood has resigned from the designation of Chief Executive Officer of National Asset Management Company Limited on 31 May 2013 and the position is vacant as at 30 June 2013.

27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 32nd, 33rd, 34th and 35th board meetings were held on 29 September 2012, 30 October 2012, 28 February 2013 and 27 April 2013 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. Gen (Retd.) Muhammad Hamid Khan	Chairman	4	3	1	33rd
2 Mr. Shafiq A. Khan	Director	4	3	1	33rd
3 Mr. Malik Shahid Mahmood ***	Director	4	4	-	-
4 Justice (Retd.) M. Javed Buttar *	Director	4	-	2	32nd and 33rd
5 Mr. Mubarik Ali *	Director	4	2	-	-
6 Mr. Shazib Masud *	Director	4	2	-	-
7 Mr. Muhammad Asim Mustafa **	Director	4	2	-	-
8 Mr. Saleem Shahzada **	Director	4	-	2	34th and 35th
9 Hafiz Avais Ghani **	Director	4	1	1	35th
10 Mr. Imtiaz Bashir **	Director	4	2	-	-

* Justice (Retd.) M. Javed Buttar, Mr. Mubarik Ali, and Mr. Shazib Masud has been retired as Non-Executive Director of National Asset Management Company Limited on 30 November 2012.

** Mr. Imtiaz Bashir, Mr. Muhammad Asim Mustafa, Mr. Saleem Shahzada and Mr. Hafiz Avais Ghani has been appointed as the Non-Executive director of National Asset Management Company Limited on 30 November 2012.

*** Mr. Malik Shahid Mahmood has resigned from the designation of Chief Executive Officer of National Asset Management Company Limited on 31 May 2013 and the position is vacant as at 30 June 2013.

28. OPERATING SEGMENT

The investment committee of the Management Company makes the strategic resource allocations on behalf of the Fund. During the year, the Fund has determined the operating segments based on the reports reviewed by this committee for taking strategic decisions.

The committee now considers the investments as two sub-portfolios, which are managed by the Fund manager of the Management Company. These sub-portfolios consist of an equity portfolio, which focuses on equity securities and related derivatives; the second sub-portfolio consisting other than equity securities which includes balances with banks, debt instruments and receivable against marginal trading system.

The reportable operating segments derive their income by seeking investments to achieve targeted returns that consummate with an acceptable level of risk within each portfolio. These returns consist of profit on sukuk certificates, income from marginal trading, dividends, gain on disposals of investments and unrealised gain on the appreciation in the value of the investments. Accordingly following has been stated with the comparatives.

The segment information provided to the investment committee for the reportable segments is as follows:

	For the year ended 30 June 2013		
	Equity sub - portfolio	Other than equity sub - portfolio	Total
	----- (Rupees in '000) -----		
Capital gain on sale of investments - net	155,102,422	-	155,102,422
Income from marginal trading	-	24,638,621	24,638,621
Dividend income	8,164,750	-	8,164,750
Profit on investments and bank balances	-	10,965,297	10,965,297
Gain on spread transaction	278,129	-	278,129
Diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(7,040,634)	-	(7,040,634)
Impairment loss on investments classified as 'available for sale'	(17,373,686)	-	(17,373,686)
Reversal / (provision) against non-performing investments classified as 'loan and receivables'	-	4,400,000	4,400,000
Reversal of provision against investment classified as 'held to maturity'	-	171,875	171,875
Securities transaction cost	(12,243,512)	-	(12,243,512)
Levy and laga charges	-	(1,966,592)	(1,966,592)
Total net segment income	<u>126,887,469</u>	<u>38,209,201</u>	<u>165,096,670</u>
Segment assets	<u>649,009,567</u>	<u>308,273,249</u>	<u>957,282,816</u>
Unallocated assets	<u>-</u>	<u>-</u>	<u>2,996,500</u>
Total assets	<u>649,009,567</u>	<u>308,273,249</u>	<u>960,279,316</u>
Segment liabilities - Brokerage payable	<u>2,748,698</u>	<u>-</u>	<u>2,748,698</u>
Unallocated liabilities	<u>-</u>	<u>-</u>	<u>16,017,917</u>
Total liabilities	<u>2,748,698</u>	<u>-</u>	<u>18,766,615</u>

	As at 30 June 2013		
	Equity sub - portfolio	Other than equity sub - portfolio	Total
	----- (Rupees in '000) -----		
Segment assets include:			
Balances with banks	-	191,377,941	191,377,941
Investments - 'at fair value through profit or loss - held for trading'	570,032,362	-	570,032,362
Investments - 'available for sale'	78,096,935	-	78,096,935
Investments - 'held to maturity'	-	6,726,563	6,726,563
Receivable against Marginal Trading System	-	108,350,687	108,350,687
Receivable against sale of investments	880,270	-	880,270
Dividend and other receivables	-	1,818,058	1,818,058
	<u>649,009,567</u>	<u>308,273,249</u>	<u>957,282,816</u>

	For the year ended 30 June 2012		
	Equity sub - portfolio	Other than equity sub - portfolio	Total
	------(Rupees in '000)-----		
Capital gain on sale of investments - net	88,266,018	-	88,266,018
Income from marginal trading	-	4,458,943	4,458,943
Dividend income	24,848,610	-	24,848,610
Profit on investments and bank balances	-	31,522,897	31,522,897
Diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(68,051,927)	-	(68,051,927)
Impairment loss on investments classified as 'available for sale'	(2,239,075)	-	(2,239,075)
Reversal / (provision) against non-performing investments classified as 'loan and receivables'	-	(25,400,000)	(25,400,000)
Reversal of provision against investments classified as 'held to maturity'	-	7,585,938	7,585,938
Securities transaction cost	(11,020,088)	(262,160)	(11,282,248)
Levy and laga charges	-	(220,217)	(220,217)
Total net segment income	31,803,538	17,685,401	49,488,939

	For the year ended 30 June 2012		
	Equity sub - portfolio	Other than equity sub - portfolio	Total
	------(Rupees in '000)-----		
Segment assets	547,607,757	249,091,896	796,699,653
Unallocated assets	-	-	3,098,891
Total assets	547,607,757	249,091,896	799,798,544
Segment liabilities - Brokerage payable	732,321	-	732,321
Unallocated liabilities	-	-	8,245,120
Total liabilities	732,321	-	8,977,441

	As at 30 June 2012		
	Equity sub - portfolio	Other than equity sub - portfolio	Total
	------(Rupees in '000)-----		
Segment assets include:			
Balances with banks	-	70,560,270	70,560,270
Investments - 'at fair value through profit or loss - held for trading'	-	-	-
Investments - 'available for sale'	466,195,368	-	466,195,368
Investments - 'loans and receivables'	71,194,145	-	71,194,145
Investments - 'held to maturity'	-	400,000	400,000
Investments - 'held to maturity'	-	7,242,188	7,242,188
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	279,146	2,443,218	2,722,364
	547,607,757	249,091,896	796,699,653
Total segment liabilities include:			
Accrued expenses and other liabilities - Brokerage payable	732,321	-	732,321

A reconciliation of total net segmental income to total income is provided as follows:

	2013	2012
	(Rupees)	
Total net segment income	165,096,670	49,488,939
Other expenses	(23,980,951)	(25,134,239)
Provision for Workers' Welfare Fund	(7,031,870)	-
	<u>134,083,849</u>	<u>24,354,700</u>

29. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on 3 October 2013 have proposed a final distribution at the rate of 11.10%. The financial statements of the fund for the year ended 30 June 2013 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 2014.

30. DATE OF AUTHORISATION FOR ISSUE

30.1 These financial statements were authorised for issue by Board of Directors of the Management Company on 3 October 2013.

30.2 The position of chief executive officer (CEO) is vacant since 31 May 2013 (refer note 27). Therefore, in the absence of CEO these financial statements have been signed by two directors of the Management Company duly authorized by the Board of Directors.

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

Director

Director



Member:

(MUFAP) Mutual Funds Association of Pakistan

National Asset Management Company Limited

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