



## NAMCO INCOME FUND

QUARTERLY REPORT  
MARCH 31, 2009



# NAMCO INCOME FUND

Condensed Interim Financial Statements  
For the Period Ended March 31, 2009



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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.*



## FUND'S INFORMATION

### Investment Adviser

National Asset Management Company Limited  
19-C, Sunset Lane-6, South Park Avenue,  
Phase-II, Extension, D.H.A., Karachi  
PABX: 0092-21-5889762, 5312416-19  
FAX: 0092-21-5889743, 5395924  
Website: www.namco.com.pk

### Board of Directors

Mr. Ali Aslam Malik	Chairman
Mr. Etrat Hussain Rizvi	Director / Chief Executive
Mr. Ali Raza Jaffery	Director
Mr. Shafiq Ahmed Khan	Director
Mr. Imtiaz Ahmed Pervez	Director

### CFO & Company Secretary

Mr. Mutahir N. Pasha

### Audit Committee

Mr. Ali Aslam Malik	Chairman
Mr. Ali Raza Jaffery	Member
Mr. Shafiq Ahmed Khan	Member

### Auditors

A.F. Ferguson & Co. – Chartered Accountants  
State Life Building 1-C, Off: I.I. Chundrigar Road,  
P.O. Box 4716, Karachi

### Legal Advisors

KMS Law Associates  
207, Beaumont Plaza,  
Beaumont Road, Civil Lines,  
Karachi

### Bankers

KASB Bank Limited  
Bank Alfalah Limited  
Atlas Bank Limited  
Bank of Khyber

### Registrar

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



## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of National Asset Management Company Limited, the Management Company of **NAMCO Income Fund**, is pleased to present the accounts of NAMCO Income Fund (NIF) for the period ended March 31, 2009.

### Market Review

The international as well as local financial sectors faced a severe liquidity crunch during 1st half of FY08-09. International markets were hit by the worst financial crises since the great depression of 1930s. The fall of giant financial institutions, extreme volatility in the commodities prices, government sponsored bailouts, massive fiscal stimulus packages by western economies and IMF bailout packages to rescue relatively small ailing economies were the hall mark.

Pakistan's economy although somewhat secluded from the world's mayhem of financial turmoil (sparked off by widespread defaults of US sub-prime mortgages and further exacerbated by the weak economic numbers), was spooked by concerns of massive capital flight. Consequently, the fast depleting foreign exchange reserves paved way for liquidity shortfall in the economy, and the domestic money market to suffer from severe liquidity crunch. This phenomenon eased at the end of 1<sup>st</sup> half of FY08-09 after the enrollment in IMF program and receipt of the first tranche of funds that helped support the balance of payments deficit and persistently deteriorating foreign exchange reserves.

The said period was one of the most unpleasant periods in the history of income funds which had to revise the values of their debt securities downwards ranging from 5% to 30% in November 2008 in accordance with SECP's revaluation criteria of debt securities based on instrument ratings. Liquidity crunch and steep fall in Equity market led to CFS MK-II square-up program, which also hit the NAVs of fixed income funds.

### Fund Performance

The initial public offering of your Fund was made from July 7<sup>th</sup> to July 11<sup>th</sup>, 2008. The results under review therefore represent earnings of 263 days. Your Fund earned gross revenue of Rs. 40.374 million, (comprising of CFS income of Rs. 11.847 million, income on bank deposits/ placements Rs. 14.9 million, return on certificates of investment of Rs. 7.484 million, income on debt securities Rs. 4.427 million and income from other sources Rs. 1.716 million) was reduced by Rs. 6.846 million due to revaluation of debt securities and unrealized loss on equity portfolio, resulting in a gross profit of Rs. 33.528 million.

Operating expenses during the same period were Rs. 5.113 million, while the net asset value per Unit on March 31, 2009 was Rs. 100.35 (adjusted for interim bonus dividends, impact of revaluation of debt securities and squaring up of CFS MK-II).

Despite poor economic conditions, revaluation of debt securities and CFS MK-II square-up program, our investment team has successfully managed the Fund and earned an annualized return of 13.57% (based on the 'Morningstar methodology') and is amongst top performers within the industry. It is greatly satisfying that during all these testing times, NAMCO did not suspend redemption of NIF units even for a single day.



### Future Outlook

Government of Pakistan (GoP) has set a target of net zero borrowing for budgetary support from SBP from 1<sup>st</sup> Oct'08 till FY'09-end, which would help avoid further monetary tightening and arrest inflation to an extent. The GoP is tapping T-bill auctions and National Saving Schemes as alternative sources of funding. Income funds despite decent yield are likely to face difficulties due to absence of level playing field.

Our strategy will be keeping our placements mostly in shorter duration instruments in order to maintain liquidity and to remain resilient to the fast changing money market scenario. We shall continue to focus on providing the best returns in the market within our risk management parameters, without comprising on credit quality.

### Acknowledgements

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

The Board also appreciates the management team and the staff members for their commitment and dedicated efforts.

27 April , 2009

ALI A. MALIK  
*Chairman*

**NAMCO INCOME FUND  
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED)  
AS AT MARCH 31, 2009**

	Note	(Un-audited) March 31, 2009 Rupees
<b>ASSETS</b>		
Bank balances	5	177,331,613
Investments	6	94,659,971
Dividend and other receivables	7	4,760,893
Prepayments and security deposits	8	4,454,396
Preliminary expenses and floatation costs	9	1,484,465
<b>Total assets</b>		<b>282,691,338</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Fee payable to Management Company	10	293,114
Fee payable to Trustee	11	35,174
Fee payable to Securities and Exchange Commission of Pakistan (SECP)	12	193,926
Preliminary expenses and floatation cost payable to Management Company		1,733,448
Accrued expenses and other liabilities	13	284,412
<b>Total liabilities</b>		<b>2,540,074</b>
<b>NET ASSETS</b>		<b><u>280,151,264</u></b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b><u>280,151,264</u></b>
		<b>Number of units</b>
<b>NUMBER OF UNITS IN ISSUE</b>		<b><u>2,791,658</u></b>
		<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>		<b><u>100.3530</u></b>
<b>FACE VALUE PER UNIT</b>		<b><u>100</u></b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**NAMCO INCOME FUND  
CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE PERIOD FROM JULY 12, 2008 TO MARCH 31, 2009**

	Note	For the period from July 12, 2008 to March 31, 2009	For the quarter ended March 31, 2009
----- Rupees -----			
<b>INCOME</b>			
Dividend Income		60,168	56,668
Income from Continuous Funding System		11,846,607	138,060
Profit on bank deposits		13,366,375	6,934,736
Income from Spread transactions		9,470	-
Income from Sukuk bonds		2,633,155	1,100,117
Income on clean placements		832,226	-
Income from certificates of investments		7,484,404	2,178,246
Income on Term deposit receipts		701,199	701,199
Profit on Commercial papers		1,793,622	727,144
Capital gain/loss on sale of investments - net		1,646,594	1,646,574
		40,373,820	13,482,744
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net		(2,457,588)	(2,092,489)
Unrealised (diminution) / appreciation on letter of right		1,205	1,205
Loss on revaluation of debt securities		(4,389,560)	2,033,225
<b>Total Income</b>		<u>33,527,877</u>	<u>13,424,685</u>
<b>EXPENSES</b>			
Fee to Management Company		2,727,557	839,568
Fee to Trustee		327,307	100,748
SECP Fees		193,926	50,374
Annual fee-National Clearing company of Pakistan		645,604	247,253
Securities transaction costs		621,470	148,686
Auditors remuneration		167,162	57,204
Bank charges		8,879	2,829
Amortisation of preliminary expenses		249,945	(604,426)
Other expenses		171,441	64,388
<b>Total Expenses</b>		<u>5,113,291</u>	<u>906,624</u>
<b>Income before taxation</b>		<u>28,414,586</u>	<u>12,518,061</u>
Taxation		-	-
<b>Net Income after Taxation</b>		<u>28,414,586</u>	<u>12,518,061</u>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those units redeemed		(1,862,961)	44,921
<b>Net Income for the period</b>		<u><u>26,551,625</u></u>	<u><u>12,562,982</u></u>
<b>Earnings per unit (Rupees)</b>	14		

The annexed notes from 1 to 17 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**NAMCO INCOME FUND  
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE PERIOD FROM JULY 12, 2008 TO MARCH 31, 2009**

	For the period from July 12, 2008 to March 31, 2009	For the quarter ended March 31, 2009
	----- Rupees -----	
Undistributed income brought forward	-	6,695,321
Distribution upto March 31, 2009 : 9.25%		
- Bonus units	(25,252,959)	(17,576,449)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased-amount representing income /(losses) that from part of the unit holders' funds	(313,234)	(6,463)
- reversal of amortization of preliminary expenses and floatation cost		(689,959)
Net Income for the period	26,551,625	12,562,982
Undistributed income carried forward	<u>985,432</u>	<u>985,432</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



## NAMCO INCOME FUND

### NAMCO INCOME FUND CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE PERIOD FROM JULY 12, 2008 TO MARCH 31, 2009

	For the period from July 12, 2008 to March 31, 2009	For the quarter ended March 31, 2009
	----- Rupees -----	
<b>Net assets at the beginning of the period</b>	-	269,250,421
Issue of 4,886,603 units including bonus units 252,530	490,062,054	21,258,556
Redemption of 2,094,945 units	(212,759,183)	(4,602,903)
	277,302,871	16,655,653
Element of income and capital gains included in prices of units issued less those in units redeemed		
- amount representing accrued (income) / loss and capital (gains) / losses - transferred to income statement	1,862,961	(44,921)
- amount representing (income) / losses that form part of the units holders' funds transferred to Distribution Statement	-	-
	1,862,961	(44,921)
- reversal of amortization of preliminary expenses and floatation cost	-	(689,959)
Income from operations	26,551,625	12,562,982
<b>Net income for the period</b>	26,551,625	12,562,982
Distribution:		
Distribution for the quarter ended September 30, 2008		
- Bonus units	(25,252,959)	(17,576,449)
Element of income / (loss) and capital gains / (losses)	(313,234)	(6,463)
<b>Net assets as at the end of the period</b>	280,151,264	280,151,264

The annexed notes from 1 to 17 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**NAMCO INCOME FUND  
CONDENSED INTERIM STATEMENT OF CASH FLOW STATEMENT (UNAUDITED)  
FOR THE PERIOD FROM JULY 12, 2008 TO MARCH 31, 2009**

	For the period from July 12, 2008 to March 31, 2009	For the quarter ended March 31, 2009
	----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income for the period	26,551,625	12,562,982
<b>Adjustments for non-cash charges and other items:</b>		
Amortization of preliminary expenses and floatation costs	249,945	(604,426)
Un-distributed Income on issue of bonus units for the quarter ended September 30, 2008	(25,566,193)	(17,582,912)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those units redeemed	1,862,961	(44,921)
<b>Operating cash inflow before working capital changes</b>	<u>3,098,338</u>	<u>(5,669,277)</u>
<b>(Increase) / decrease in assets</b>		
Investments	(94,659,971)	866,364
Dividend and other receivables	(4,760,893)	604,723
Receivable against Continuous Funding System	-	17,308,593
Receivable from NCCPL against SD scheme	-	74,632,413
Advances, Deposits and prepayments	(4,454,396)	(252,747)
Preliminary expenses and floatation costs	(1,734,410)	-
	(105,609,670)	93,159,346
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	293,114	9,444
Payable to Trustee	35,174	1,133
Payable to Securities and Exchange Commission of Pakistan	193,926	50,374
Preliminary expenses and floatation cost payable to Management Company	1,733,448	-
Accrued expenses and other liabilities	284,412	(1,130,540)
	2,540,074	(1,069,589)
<b>Net cash used in operating activities</b>	<u>(99,971,258)</u>	<u>86,420,480</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	490,062,054	21,258,556
Payment on redemption of units	(212,759,183)	(4,602,903)
<b>Net cash generated from financing activities</b>	<u>177,331,613</u>	<u>103,076,133</u>
<b>Net increase in cash and cash equivalents</b>	177,331,613	103,076,133
Cash and cash equivalents at the beginning of the period	-	74,255,480
<b>Cash and cash equivalents at the end of the year period</b>	<u><u>177,331,613</u></u>	<u><u>177,331,613</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



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**NAMCO INCOME FUND  
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE PERIOD FROM JULY 12, 2008 TO MARCH 31, 2009**

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**1 STATUS AND NATURE OF BUSINESS**

NAMCO Income Fund (NIF) was established under a Trust Deed executed between National Asset Management Company Limited (NAMCO) as the Management Company and First Dawood Investment Bank Limited (FDIBL) as the Trustee. The Securities and Exchange Commission of Pakistan (SECP) authorised constitution of the Trust Deed on August 2, 2007 and it was executed on September 12, 2007 in accordance with the NBFC Regulations. The Fund commenced operations from July 12, 2008.

The Fund is an open ended mutual fund and is listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units of the Fund were initially offered for public subscription at par from July 07, 2008 to July 11, 2008.

The principal activity of the Fund is to make investments in fixed income securities. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

**2 STATEMENT OF COMPLIANCE**

These condensed interim 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Regulations or the directives issued by the SECP shall prevail. The disclosures made in these condensed interim financial statements have, however been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

**3 BASIS OF MEASUREMENT**

**3.1 Accounting convention**

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

**3.2 Functional and presentation currency**

The condensed interim financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

**3.3 Critical accounting estimates and judgements**

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

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

- i. Classification and valuation of investments (notes 4.2 and 6)
- ii. Amortisation of preliminary expenses and floatation costs (notes 4.9 and 9)



#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### 4.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances, certificates of musharika and certificates of investment with original maturities of three months or less. Cash and cash equivalents are carried in the balance sheet at cost.

##### 4.2 Investments

The Management Company determines the appropriate classification of the Fund's investments in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

Investments of the Fund are categorised as follows:

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

Investments 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. These investments are initially recognised at fair value and the transaction cost associated with the investments are taken directly to income statement. Subsequent to the initial recognition, these investments are marked to market using the closing market rates and are carried on the statement of assets and liabilities at fair value. The fair value of financial instruments traded in active market is based on quoted market prices. Net gains and losses arising from the changes in fair values of these investments are taken to the income statement in the year in which they arise.

###### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at fair value. Subsequently these investments are carried at amortised cost.

###### c) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity.

These investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently to initial recognition these investments are carried at amortised cost.

###### d) Available for sale

These are non-derivative financial assets that are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit and loss. Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, these investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

Investments are de-recognized when the rights to receive the cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Impairment of investments is recognised when there is a permanent diminution in their value.

##### 4.3 Spread transactions (Ready-Future Transactions)

The Fund enters into certain transactions involving purchase of a security in the ready market and their simultaneous sale in the futures market (spread transactions). Securities purchased by the Fund in the ready market are carried on the statement of assets and liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative' in accordance with the requirements of International Accounting Standard 39: "Financial Instruments: Recognition and Measurement".



#### 4.4 Impairment

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

#### 4.5 Issue and redemption of units

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

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

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

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

The 'element of income and capital gains in prices of units sold less those in units redeemed' account is created with the amount representing net income and capital gains accounted for in the net asset value and included in the sale proceeds of units. Upon redemption of units, the 'element of income and capital gains in prices of units sold less those in units redeemed' account is debited with the amount representing net income and capital gains accounted for in net asset value and included in the redemption price.

The net 'element of income and capital gains in the price of units sold less those in units redeemed' during an accounting period is recognised in the income statement.

#### 4.7 Net asset value per unit

The net asset value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year / period end.

#### 4.8 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase (reverse repo) transactions and Continuous Funding System (CFS) transactions is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.
- Income on Term Finance Certificates is recognised on accrual basis.
- Income from Certificates of Investment is recognised on an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.

#### 4.9 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.

#### 4.10 Provisions

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



**4.11 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. Accordingly, no provision has been made for current taxation in the condensed interim

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 unit holders every year.

**4.12 Financial assets and financial liabilities**

Financial assets carried on the statement of assets and liabilities include bank balances, investments, receivable against continuous funding system, receivable from NCCPL, dividend and other receivables and security deposits.

Financial liabilities carried on the statement of assets and liabilities include fee payable to Management Company, fee payable to Trustee, fee payable to Securities and Exchange Commission of Pakistan, preliminary expenses and floatation costs payable to Management Company and other liabilities.

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

**4.13 Offsetting financial instruments**

Financial assets and liabilities are 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 amounts and there is an intention to settle on the net basis, or realise an asset and settle liability simultaneously.

	<b>Note</b>	<b>(Un-audited) March 31, 2009 Rupees</b>
<b>5 BANK BALANCES</b>		
Balance in PLS account		152,331,613
Term deposit receipt		25,000,000
		<u>177,331,613</u>
<b>6 INVESTMENTS</b>		
<b>Financial assets at fair value through profit and loss - held for trading</b>		
- Quoted equity securities - received under CFS MK II Square Up Program	6.1	5,373,136
- Derivative financial instruments		1,205
<b>Loans and receivables</b>		
- Fixed income and other debt securities	6.2	
▪ Certificates of investments		40,000,000
<b>Held to maturity</b>	6.3	
- Fixed income and other debt securities-Certificate of investments		
▪ Sukuk bonds		29,673,440
▪ Commercial papers		19,612,190
		<u>49,285,630</u>
		<u>94,659,971</u>



## NAMCO INCOME FUND

### 6.1 Financial assets at fair value through profit and loss - held for trading (Quoted equity securities - regular market trade)

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

Name of investee	Number of shares <sup>1</sup>					Cost	Market value	Appreciation / (diminution)	Percentage in relation to		
	As at July 01, 2008	Purchases during the year	Bonus / rights issue	Sales during the year	Holding as at March 31, 2009				Market value as a percentage of net assets	Investee paid-up capital*	Total investments
----- Rupees -----											
<b>CLOSE END MUTUAL FUNDS</b>											
JS Value Fund Limited	-	1,884	-	1,884	-	-	-	-	0.0%	0.0%	0.0%
PICIC Growth Fund Limited	-	1,087	-	1,087	-	-	-	-	0.0%	0.0%	0.0%
Pakistan Premier Fund Limited	-	1,565	-	1,565	-	-	-	-	0.0%	0.0%	0.0%
	-	4,536	-	4,536	-	-	-	-	0.0%	0.0%	0.0%
<b>INVESTMENT BANKS / COMPANIES / SECURITIES</b>											
Arif Habib Limited	-	212	-	212	212	15,847	12,097	(3,750)	0.0%	0.0%	0.0%
Arif Habib Securities Limited	-	38,492	-	38,492	38,492	1,738,926	1,030,816	(708,110)	0.4%	0.0%	1.1%
First National Equities Limited	-	37	-	37	37	1,754	799	(955)	0.0%	0.0%	0.0%
Invest & Finance Securities Limited	-	9	-	9	9	-	-	-	0.0%	0.0%	0.0%
Jahangir Siddiqui & Company Limited	-	21,051	-	21,051	21,051	1,181,804	710,892	(470,912)	0.3%	0.0%	0.8%
Javed Omer Vohra & Company Limited	-	3,055	-	3,055	3,055	-	-	-	0.0%	0.0%	0.0%
JS Investments Limited	-	192	-	100	92	3,672	1,800	(1,872)	0.0%	0.0%	0.0%
Pervez Ahmed Securities Limited	-	28,737	-	28,737	28,737	191,354	120,408	(70,946)	0.0%	0.0%	0.1%
	-	91,785	-	3,164	88,621	3,133,357	1,876,812	(1,256,545)	0.7%	0.0%	2.0%
<b>COMMERCIAL BANKS</b>											
Allied Bank Limited	-	142	-	142	142	-	-	-	0.0%	0.0%	0.0%
Arif Habib Bank Limited	-	57,715	-	57,715	57,715	-	-	-	0.0%	0.0%	0.0%
Askari Commercial Bank Limited	-	18,530	-	18,530	18,530	-	-	-	0.0%	0.0%	0.0%
Bank Al-Falah Limited	-	10,070	5,000	15,070	15,070	-	-	-	0.0%	0.0%	0.0%
Bank Al-Habib Limited	-	39	-	39	39	-	-	-	0.0%	0.0%	0.0%
Bank Islami Pakistan Limited	-	4,904	-	4,904	4,904	-	-	-	0.0%	0.0%	0.0%
Bank of Punjab Limited	-	36,959	-	36,959	36,959	556,233	409,875	(146,358)	0.1%	0.0%	0.4%
Faysal Bank Limited	-	10,788	-	10,788	10,788	-	-	-	0.0%	0.0%	0.0%
Habib Bank Limited	-	5,638	-	5,638	5,638	-	-	-	0.0%	0.0%	0.0%
JS Bank Limited	-	8,598	-	8,598	8,598	-	-	-	0.0%	0.0%	0.0%
MCB Bank Limited	-	1,499	149	1,499	149	18,316	21,039	2,723	0.0%	0.0%	0.0%
Meezan Bank Limited	-	40	-	40	40	-	-	-	0.0%	0.0%	0.0%
National Bank of Pakistan limited	-	6,568	-	6,568	6,568	-	-	-	0.0%	0.0%	0.0%
NIB Bank Limited	-	67,145	-	67,145	67,145	-	-	-	0.0%	0.0%	0.0%
Saudi Pak Commercial Bank limited	-	5,309	-	5,309	5,309	-	-	-	0.0%	0.0%	0.0%
Soneri Bank Limited	-	577	-	577	577	-	-	-	0.0%	0.0%	0.0%
United Bank Limited	-	1,310	-	1,310	1,310	-	-	-	0.0%	0.0%	0.0%
	-	235,831	5,149	203,872	37,108	574,549	430,914	(143,635)	0.2%	0.0%	0.5%
<b>INSURANCE</b>											
Adamjee Insurance Company Limited	-	5,355	535	5,890	5,890	585,797	393,334	(192,463)	0.1%	0.0%	0.4%
EFU General Insurance Limited	-	6,144	-	6,144	6,144	752,694	546,140	(206,554)	0.2%	0.0%	0.6%
Pakistan Reinsurance Limited	-	533	-	533	533	-	-	-	0.0%	0.0%	0.0%
	-	12,032	535	533	12,034	1,338,491	939,474	(399,017)	0.3%	0.0%	1.0%
<b>TEXTILE SPINNING</b>											
D.S Industries Limited	-	448	-	448	448	5,821	1,223	(4,598)	0.0%	0.0%	0.0%
<b>TEXTILE COMPOSITE</b>											
Azgard Nine Limited	-	14,255	-	14,255	14,255	-	-	-	0.0%	0.0%	0.0%
Dawood Lawrence	-	140	-	140	140	6,107	5,991	(116)	0.0%	0.0%	0.0%
Nishat (Chunian) Limited	-	53,100	-	53,100	53,100	-	-	-	0.0%	0.0%	0.0%
Nishat Mills Limited	-	10,734	-	10,734	10,734	-	-	-	0.0%	0.0%	0.0%
	-	78,229	-	78,089	140	6,107	5,991	(116)	0.0%	0.0%	0.0%
<b>SYNTHETIC &amp; RAYON</b>											
Dewan Salman Fiber Limited	-	26,453	-	26,453	26,453	-	-	-	0.0%	0.0%	0.0%
<b>CEMENT</b>											
Al- Abbas Cement Industries Limited	-	228	-	228	228	-	-	-	0.0%	0.0%	0.0%
D.G. Khan Cement Limited	-	3,331	-	3,331	3,331	76,013	72,649	(3,364)	0.0%	0.0%	0.1%
Dewan Cement Limited	-	642	-	642	642	-	-	-	0.0%	0.0%	0.0%
Fauji Cement Company limited	-	20,412	-	20,412	20,412	-	-	-	0.0%	0.0%	0.0%
Lucky Cement Limited	-	928	-	928	928	-	-	-	0.0%	0.0%	0.0%
Maple Leaf Cement limited	-	1,697	-	1,697	1,697	-	-	-	0.0%	0.0%	0.0%
Lafarge Cement Company Limited	-	11,317	-	11,317	11,317	-	-	-	0.0%	0.0%	0.0%
Pioneer Cement Limited	-	529	-	529	529	11,169	6,607	(4,562)	0.0%	0.0%	0.0%
Thatta Cement Co. Limited	-	3	-	3	3	-	-	-	0.0%	0.0%	0.0%
	-	39,087	-	35,227	3,860	87,182	79,256	(7,926)	0.0%	0.0%	0.1%

\* Calculated as the fund's shareholding divided by the paid up capital of the Investee



## NAMCO INCOME FUND

Name of investee	Number of shares <sup>*</sup>					Percentage in relation to				
	As at July 01, 2008	Purchases during the year	Bonus / rights issue	Holding as at March 31, 2009	Cost	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid-up capital <sup>*</sup>	Total investments
----- Rupees -----										
<b>REFINERY</b>										
Attock Refinery Limited	-	1,589	-	1,589	-	-	-	0.0%	0.0%	0.0%
Bosicor Pakistan Limited	-	9,860	-	9,860	-	-	-	0.0%	0.0%	0.0%
National Refinery Limited	-	183	-	183	-	-	-	0.0%	0.0%	0.0%
Pakistan Refinery limited	-	2,948	-	2,948	253,823	201,732	(52,091)	0.1%	0.0%	0.2%
	-	14,580	-	11,632	2,948	253,823	201,732	(52,091)	0.1%	0.0%
<b>POWER GENERATION &amp; DISTRIBUTION</b>										
Hub Power Company	-	5,222	-	5,222	-	-	-	0.0%	0.0%	0.0%
Kot Addu Power Company	-	831	-	831	-	-	-	0.0%	0.0%	0.0%
	-	6,053	-	6,053	-	-	-	0.0%	0.0%	0.0%
<b>OIL &amp; GAS MARKETING COMPANIES</b>										
Attock Petroleum Limited	-	262	-	262	-	-	-	0.0%	0.0%	0.0%
Pakistan State Oil Company Limited	-	9,513	-	9,513	-	-	-	0.0%	0.0%	0.0%
Sui Northern Gas Co. Limited	-	5,669	-	5,669	-	-	-	0.0%	0.0%	0.0%
Sui Southern Gas Co. Limited	-	18,580	-	18,580	-	-	-	0.0%	0.0%	0.0%
	-	34,024	-	34,024	-	-	-	0.0%	0.0%	0.0%
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>										
Mari Gas Company	-	1	-	1	-	-	-	0.0%	0.0%	0.0%
Oil & Gas Development Corporation Limited	-	11,502	-	11,502	-	-	-	0.0%	0.0%	0.0%
Pakistan Oilfields Limited	-	254	-	254	-	-	-	0.0%	0.0%	0.0%
Pakistan Petroleum Limited	-	844	-	844	-	-	-	0.0%	0.0%	0.0%
	-	12,601	-	12,601	-	-	-	0.0%	0.0%	0.0%
<b>ENGINEERING</b>										
Crescent Steel and Allied Products Limited	-	7,713	-	7,713	-	-	-	0.0%	0.0%	0.0%
Dost Steels Limited	-	1,091	-	1,091	-	-	-	0.0%	0.0%	0.0%
	-	8,804	-	8,804	-	-	-	0.0%	0.0%	0.0%
<b>AUTOMOBILE ASSEMBLER</b>										
Honda Atlas Cars Limited	-	1,157	-	1,157	-	-	-	0.0%	0.0%	0.0%
Indus Motor Company Limited	-	50	-	50	5,956	3,693	(2,264)	0.0%	0.0%	0.0%
	-	1,207	-	1,157	50	5,956	3,693	(2,264)	0.0%	0.0%
<b>CABLE &amp; ELECTRICAL GOODS</b>										
Pak Elektron Limited	-	35,540	-	35,540	866,689	716,486	(150,203)	0.3%	0.0%	0.8%
<b>TRANSPORT</b>										
Pakistan Inter. Container Ltd	-	5,200	-	5,200	228,729	232,804	4,075	0.1%	0.0%	0.2%
<b>TECHNOLOGY &amp; COMMUNICATION</b>										
Eye Television Network	-	33	-	33	-	-	-	0.0%	0.0%	0.0%
Netsol Technologies	-	34,133	-	9,000	25,133	681,514	425,502	(256,012)	0.2%	0.0%
Pakistan Telecommunication Company Limited	-	2,774	-	2,774	50,802	46,270	(4,532)	0.0%	0.0%	0.0%
Tele Card Limited	-	4,240	-	4,240	-	-	-	0.0%	0.0%	0.0%
TRG Pakistan	-	8,496	-	8,496	-	-	-	0.0%	0.0%	0.0%
WorldCall Telecom Limited	-	258,690	-	258,690	-	-	-	0.0%	0.0%	0.0%
	-	308,366	-	280,459	27,907	732,316	471,772	(260,544)	0.2%	0.0%
<b>FERTILIZER</b>										
Engro Chemical Pakistan Limited	-	4,051	-	4,051	-	-	-	0.0%	0.0%	0.0%
Fauji Fertilizer Bin Qasim Limited	-	5,815	-	5,815	-	-	-	0.0%	0.0%	0.0%
Fauji Fertilizer Company	-	1,127	-	1,127	-	-	-	0.0%	0.0%	0.0%
	-	10,993	-	10,993	-	-	-	0.0%	0.0%	0.0%
<b>CHEMICALS</b>										
BOC Pakistan Limited	-	40	-	40	-	-	-	0.0%	0.0%	0.0%
ICI Pakistan Limited	-	2,714	-	2,714	-	-	-	0.0%	0.0%	0.0%
Pakistan PTA Limited	-	4,173	-	4,173	-	-	-	0.0%	0.0%	0.0%
Silara Peroxide Limited	-	1,814	-	1,814	-	-	-	0.0%	0.0%	0.0%
	-	8,741	-	8,741	-	-	-	0.0%	0.0%	0.0%
<b>PAPER &amp; BOARD</b>										
Packages Limited	-	7,051	-	7,051	-	-	-	0.0%	0.0%	0.0%
<b>MISCELLANEOUS</b>										
Pace (Pakistan)	-	55,808	-	55,808	597,704	412,979	(184,725)	0.1%	0.0%	0.4%
Tri-Pack Films	-	109	-	109	-	-	-	0.0%	0.0%	0.0%
	-	55,917	-	109	55,808	597,704	412,979	(184,725)	0.1%	0.0%
<b>TOTAL INVESTMENTS</b>	-	<b>997,478</b>	<b>5,684</b>	<b>269,664</b>	<b>7,830,724</b>	<b>5,373,136</b>	<b>(2,457,588)</b>	<b>1.9%</b>	<b>0.0%</b>	<b>5.7%</b>

\* Calculated as the fund's shareholding divided by the paid up capital of the Investee



- 6.1 NAMCO Income Fund has entered into a Voluntary Continuous Funding System Mark-II Square Up Program (the Program) with National Clearing Company of Pakistan Limited for squaring up of its outstanding exposure in CFS. The need for this program developed due to the large number of suspension of members in December 2008 following 8 days of continuous market lower locks in the underlying CFS shares posing great difficulty in squaring up and the likelihood of systemic risk emanating therein. The aim of this program is to ensure the full repayment of financier funds and to prevent mass scale broker defaults enabling a vast majority of them to return from suspension.

Under the terms of the Program, CFS shares and their associated margins in the form of exposure shares (i.e. those shares which were deposited as collateral against the specific shares financed in the CFS market by the relevant financee broker) were sold to the financiers at a discount of 12.5% to their closing prices prevailing as at December 24, 2008. The financiers opting into the Program have purchased shares of an amount equal to approximately 30% of the total value that they had financed in the CFS market at the aforementioned price. The remaining 70% that they had financed in the CFS market along with the mark-up accrued thereon was to be settled in cash.

Consequent to the announcement of the Program, the Fund has purchased shares of an amount equal to approximately 30% of the total value that they had financed in the CFS market which have been classified under short-term investments. The remaining CFS balance of 70% along with the entire mark-up accrued thereon has been received subsequent to the period ended December 31, 2008.

The SECP vide its circular no. NBFC-1/MUFAP/01/2009 dated January 1, 2009, has permitted all income/ money market funds to keep the shares acquired under the Program for a period of three months extendable to another three months upon application to SECP. However, in case the price of these shares attains the level determined in the program i.e. 12.5% discount to the closing price as of December 24, 2008, the Fund is required to dispose of these shares immediately.

	<b>(Un-audited) March 31, 2009 Rupees</b>
<b>6.2 Net unrealised (diminution) on re-measurement of investments classified as 'financial assets through profit or loss' - net</b>	
Market value of securities	5,373,136
Less: carrying value of securities	<u>(7,830,724)</u>
	<u><u>(2,457,588)</u></u>
<b>7 DIVIDEND AND OTHER RECEIVABLES</b>	
Dividend receivable on SD scheme	56,668
Income receivable on certificates of investments	994,904
Income receivable on Sukuk bonds	1,158,195
Income receivable on term deposit receipt	64,725
Profit receivable on bank deposits	<u>2,486,401</u>
	<u><u>4,760,893</u></u>
<b>8 PREPAYMENTS AND SECURITY DEPOSITS</b>	
<b>Prepayments</b>	
- Annual Fee to National Clearing Company of Pakistan Limited (NCCPL)	354,396
<b>Security Deposits</b>	
- National Clearing Company of Pakistan Limited	3,500,000
- Central Depository Company of Pakistan Limited	100,000
- Margin against regular market	<u>500,000</u>
	<u><u>4,454,396</u></u>



**9 PRELIMINARY EXPENSES AND FLOATATION COSTS**

Opening balance	1,734,410
Less : amortization during the period	<u>249,945</u>
Balance as at December 31, 2008	<u><u>1,484,465</u></u>

9.1 Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of five years.

**(Un-audited)**  
**March 31,**  
**2009**  
**Rupees**

**10 PAYABLE TO NATIONAL ASSET MANAGEMENT COMPANY LIMITED -  
- MANAGEMENT COMPANY**

Management fee	<u><u>293,114</u></u>
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10.1 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 three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. In the current period, the Management Company has charged remuneration at the rate of 1.25 percent of the average annual net assets of the Fund. The amount of remuneration is being paid monthly in arrears.

**(Un-audited)**  
**March 31,**  
**2009**  
**Rupees**

**11 PAYABLE TO FIRST DAWOOD INVESTMENT BANK LIMITED - TRUSTEE**

Trustee fee	<u><u>35,174</u></u>
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11.1 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. Based on the Trust Deed and offering document the tariff structure applicable to the Fund in respect of the trust fee is 0.15% per annum on the daily net assets value of the Fund.

**(Un-audited)**  
**March 31,**  
**2009**  
**Rupees**

**12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE**

Annual fee	<u><u>193,926</u></u>
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12.1 Under the provision of NBFC Regulations 2008, annual fee is payable to the Commission, chargeable to the fund of the collective investment scheme at an amount equal to 0.075% of its average annual net assets calculated in accordance with NBFC regulations.



	<b>(Un-audited) March 31, 2009 Rupees</b>
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	
Auditors' remuneration	167,162
Legal advisor fee payable	79,631
Brokerage payable on regular market	2,803
CDC Charges Payable	34,816
	<u>284,412</u>

**14 EARNINGS PER UNIT**

Earnings per unit has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

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

Connected persons include National Asset Management Company Limited being the Management Company and First Dawood Investment Bank Limited being the trustee of the Fund.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

**15.1 Details of transactions and balances with connected persons are as follows:**

	<b>(Un-audited) For the period from July 12, 2008 to March 31, 2009 Rupees</b>
<b>National Asset Management Company Limited - Management Company</b>	
Management fee	2,727,557
Preliminary expenses and floatation costs incurred	1,734,410
Units issued (859,714 : units)	86,042,152
Units Redeemed (61,919 : units)	6,252,451
<b>National Asset Management Company Limited - Employees Provident Fund</b>	
Units issued (34,028 : units)	3,438,954
<b>First National Equities Limited</b>	
Profit paid by the Fund on core investment	523,529
Units issued (219,073 : units)	21,918,150
<b>First Dawood Investment Bank Limited - Trustee</b>	
Units issued (280,598 : units)	28,075,027
Fee charged	327,307
<b>Chief Executive Officer</b>	
Units issued (268 : units)	26,953
<b>Spouse of Chief Executive</b>	
Units issued (164 : units)	16,439
<b>Executives of the Management Company</b>	
Units issued (1,249 : units)	125,546



**15.2 Transactions outstanding at the period end**

<b>National Asset Management Company Limited - Management Company</b>	
Management Fee payable	293,114
Preliminary expenses and floatation costs payable	1,733,448
Investment held by the Management Co. in the Fund (797,795 : units )	79,789,701
<b>National Asset Management Company Limited - Employees Provident Fund</b>	
Investment held in the Fund (34,028 : units )	3,438,954
<b>First National Equities Limited</b>	
Investment held in the Fund (200,000 : units )	21,918,150
<b>First Dawood Investment Bank Limited - Trustee</b>	
Investment held by trustee in the Fund (256,169 : units )	28,075,027
Fee payable	35,174
<b>Chief Executive Officer</b>	
Investment held by the Chief Executive officer in the Fund (251 : units )	26,953
<b>Spouse of Chief Executive</b>	
Investment held by the Spouse of the Chief Executive officer in the Fund (150 : units )	16,439
<b>Executives of the Management Company</b>	
Investment held by the Executives of the Management Company in the Fund (1,170 : units )	125,546

**16 FIGURES**

Figures have been rounded off to the nearest rupees unless otherwise specified.

**17 DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on April 27, 2009 by the Board of Directors of the Management Company.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director