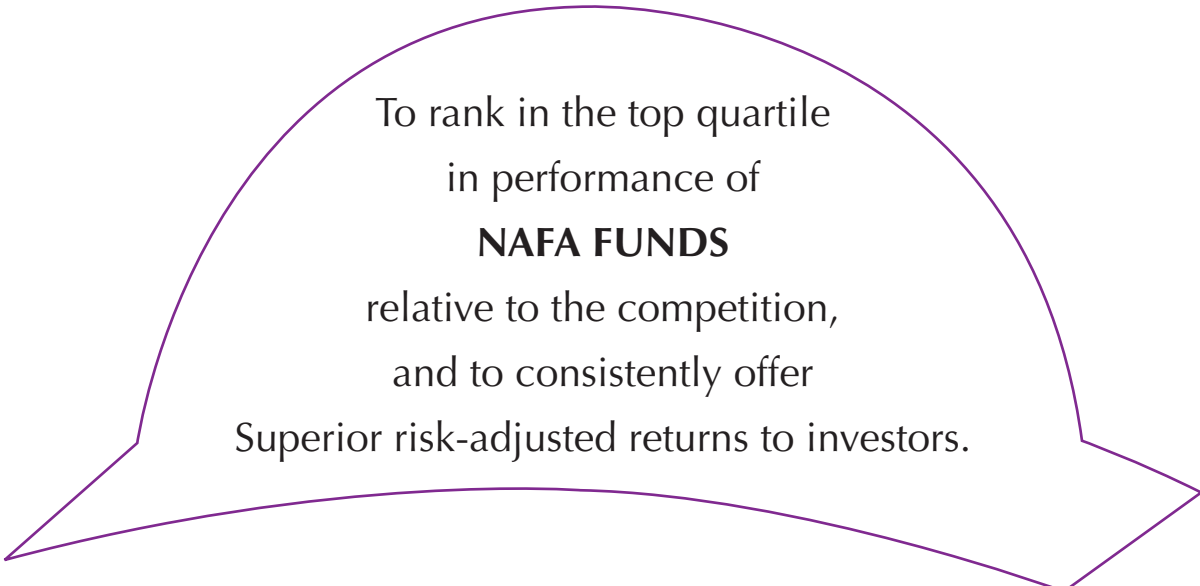


MISSION STATEMENT



To rank in the top quartile
in performance of
NAFA FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.

NAFA ASSET ALLOCATION FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Koh Boon San	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shakra-e-Faisal, Karachi.

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
National Bank of Pakistan
Summit Bank Limited
Standard Chartered Bank Pakistan Limited
The Bank of Panjab

NAFA ASSET ALLOCATION FUND

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

9th Floor, Adamjee House,
I.I. Chundrigar Road, Karachi
UAN: 021-111-111-NFA (632)
Toll Free: 0800-20001
Fax: 021-32467605

Lahore Office:

House # 10 - A, Block -S, Gulberg - II, Lahore.
UAN: (+92-42) 111-111-NFA (632)
Fax No: (+92-42) 35760373

Islamabad Office:

Plot No. 395, 396
Industrial Area, 1-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA ASSET ALLOCATION FUND

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NAFA ASSET ALLOCATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Second Annual Report of **NAFA Asset Allocation Fund** for the year ended June 30, 2012.

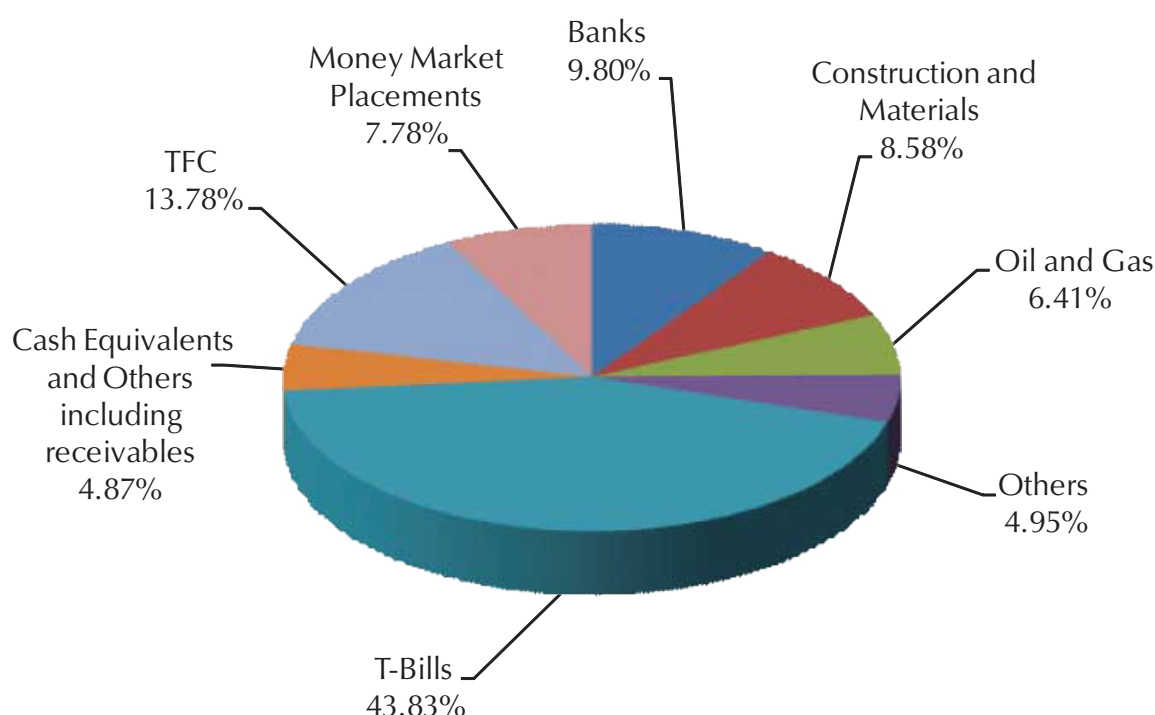
Fund's Performance

During FY2011-12, the stock market (KSE-30 Index) rose by 2.9%. The positive trend in the market resulted from the combined effect of strong corporate earnings and payouts, improved trading activity and foreign flows, relaxation in Capital Gains Tax regime, domestic political continuity and stability on the economic front. The Oil & Gas, Chemicals, Construction & Materials, Electricity and Banks sectors performed better than the market. On the other hand, General Industrials, Automobile & Parts and Non Life Insurance sectors lagged the market. On the corporate debt sphere, trading activity in TFCs improved showing investors' appetite for high quality issues, especially belonging to the banking sector. Most TFCs in the Fund are floating rate linked to KIBOR.

During the fiscal year, the return on NAFA Asset Allocation Fund was 14.40% as against its benchmark (1/3-KSE-30 Index, 1/3 6-Month KIBOR, 1/3 average 3-month bank deposit rate) return of 8.03%. Thus an out-performance of 6.37% during the year. NAAF significantly out-performed on the back of timely asset allocation and better than market performance of its key holdings in the Oil & Gas, Electricity, Construction & Materials, and Chemicals sectors. Since inception (August 21, 2010), NAAF has risen by 36.65%, whereas the benchmark has risen by 21.23%.

NAFA Asset Allocation Fund has earned a total income of Rs.67.17 million during the year. After deducting total expenses of Rs.14.75 million, the net income is Rs52.42 million. During the year, the unit price of NAFA Asset Allocation Fund has increased from Rs.9.0340 on June 30, 2011 (distribution adjusted) to Rs.10.3349 on June 30, 2012 (Ex-Div).

The asset allocation of NAFA Asset Allocation Fund as on June 30, 2012 is as follows:



NAFA ASSET ALLOCATION FUND

Income Distribution

In addition to interim distribution of 3.50%, the Board of Directors of the Management Company has also approved a final distribution of 10.50%, translating into total distribution of 14% of opening ex-NAV (14.379% of the par value). After final distribution, the net asset value per unit will be Rs.10.3349 on June 30, 2012.

Taxation

As the above distribution is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors, Messrs A.F.Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the year. The attendance of all directors is disclosed in the note 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 18 to these financial statements.

NAFA ASSET ALLOCATION FUND

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 11, 2012
Place: Karachi.

NAFA ASSET ALLOCATION FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Asset Allocation Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 26, 2012

NAFA ASSET ALLOCATION FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA ASSET ALLOCATION FUND FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Asset Allocation Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Shahid Anwar Khan (Chairman) 2. Dr. Asif.A Brohi 3. Mr. Amir Shahzad 4. Mr. Wah Geok Sum 5. Mr. Koh Boon San

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

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable). However, the requirement of serving as a director of seven listed companies is applicable from the date of next elections of directors.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on August 27, 2011 and March 31, 2012 during the year. First casual vacancy was filled up by the director within 24 days and the second casual vacancy was filled up by the director on the same day.
5. Subsequent to year end, the Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

NAFA ASSET ALLOCATION FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities and requirements of CCG, the code requires company to conduct formal orientation for directors. The board did not arrange director training /education program required under the code as all the directors meet the exemption criteria of minimum fourteen years of education and fifteen years of experience. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the Units of the Fund other than that disclosed in note 18 to the financial statements " Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of four members, of who are non-executive directors and the chairman of the committee is a non-independent director.
18. The board has set up an effective internal audit function.

NAFA ASSET ALLOCATION FUND

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 Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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. There was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with.

Karachi
September 11, 2012

For and behalf of the board

Dr. Amjad Waheed
Chief Executive Officer

NAFA ASSET ALLOCATION FUND

FUND MANAGER REPORT

NAFA Asset Allocation Fund

NAFA Asset Allocation Fund (NAAF) is an open-ended asset allocation fund.

Investment Objective of the Fund

Objective of NAAF is to generate income by investing in debt and money market securities and to generate capital appreciation by investing in equity and equity related securities.

Benchmark

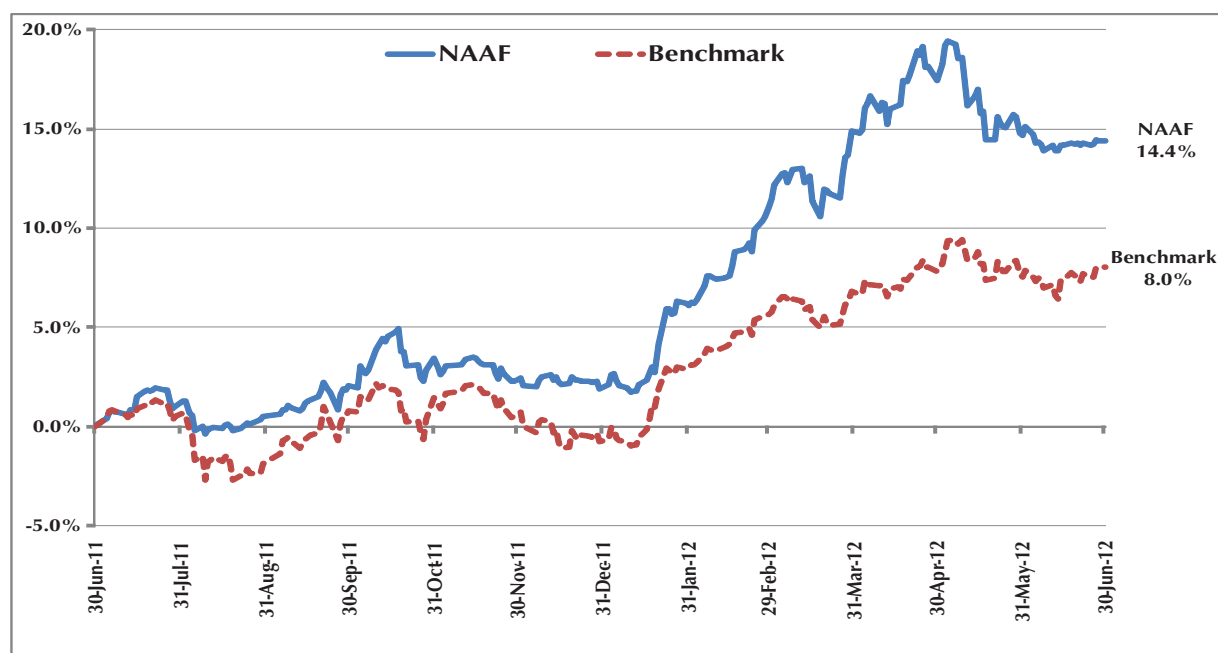
1/3 of Average 3-month Bank Deposit Rates, 1/3 of 6-month KIBOR and 1/3 of KSE-30 Index

Fund Performance Review

During the year under review, the return on NAFA Asset Allocation Fund was 14.40% as against its benchmark (1/3 of KSE-30 Index, 1/3 of 6-Month KIBOR, 1/3 of 3-month bank deposit rate) return of 8.03%. Thus the Fund depicted an out-performance of 6.37% during the year. Since its inception on August 21, 2010, the NAV of NAAF has risen by 36.65% while that of the benchmark has increased by 21.23%, thus to date out-performance is 15.42%. The out-performance of the Fund is net of management fee and all other expenses. Thus, NAAF has met its investment objective.

NAAF out-performed on the back of better-than-market performance of its key holdings in the Construction & Materials, Banking and Oil & Gas sectors. The Fund followed a strategy of investing in high dividend yielding and defensive stocks. The chart below shows the performance of NAAF against the benchmark for the year.

NAAF Performance vs Benchmark during FY12



NAFA ASSET ALLOCATION FUND

At the start of the year, NAAF was around 27% invested in equities. During the year we altered the allocation in equities based on the performance of different asset classes. Towards the end of the year the allocation in equities was around 30%.

Key factors responsible for the healthy performance of the stock market during the year include: (i) strong corporate earnings and payouts (ii) improved trading activity (iii) relaxation in Capital Gains Tax regime (iv) domestic political continuity and stability on the economic front.

We have witnessed few fresh issues of the corporate bonds. Trading activity remained limited to high rated issuers, mainly belonging to Financial sector. Inflation as measured by CPI stood at 11% for FY12 as against 13.3% during the preceding year. With this letup in inflation and to spur private sector investment, SBP reduced the Discount Rate from 14% to 12%. Correspondingly the benchmark 6-Months KIBOR declined to 12.06% from 13.78% during the year.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-12	30-Jun-11
Equities / Stock	29.74%	27.06%
TFCs	13.78%	18.47%
Cash Equivalents	11.51%	22.27%
T-Bills	43.84%	24.63%
Money Market Placements (Short Term Sukuk)	7.78%	-
MTS	-	4.48%
Other NEt Assets	-6.65%	3.09%
Total	100.00%	100.00%

Distribution for the Financial Year 2012

Interim Period / Quarter	Dividend as a % of Par Value	Cummlative Div. Per Price Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Jan 12 to Mar 12	3.60%	11.9322	11.5727
Apr 12- Jun 12	10.78%	11.3954	10.3349

NAFA ASSET ALLOCATION FUND

Unit Holding Pattern of NAFA ASSET ALLOCATION FUND as on June 30, 2012

Size of Unit Holding (Units)	No of Unit Holders
1-1000	24
1001-5000	45
5001-10000	53
10001-50000	135
50001-100000	34
100001-500000	41
500001-1000000	3
1000001-5000000	3
5000001-10000000	0
10000001-100000000	1
100000001-1000000000	0
	339

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

Workers' Welfare Fund (WWF)

The scheme has maintained provision against Workers' Welfare Fund's liability to the tune of Rs 1,964,385/-If the same were not made the NAV per unit/return of scheme would be higher by Rs.0458/ 0.40%.For details investors are advised to read the Note 15 of the Financial Statements of the Scheme for the year ended 30, June 2012.

NAFA ASSET ALLOCATION FUND

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited**, the Management Company of **NAFA Asset Allocation Fund**, to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. 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 Company'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 Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the listing regulations notified by the Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements 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 prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2012.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: September 26, 2012

NAFA ASSET ALLOCATION FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Asset Allocation Fund (here in after referred to as "the Fund")**, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 26, 2012
Karachi

NAFA ASSET ALLOCATION FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
Rupees in '000			
ASSETS			
Balances with banks	4	56,225	62,963
Investments	5	464,756	198,352
Receivable against margin trading system		-	12,676
Receivable against sale of investments		-	5,654
Dividend and profit receivable	6	4,608	2,910
Deposits, prepayments and other receivables	7	3,049	3,166
Preliminary expenses and floatation costs	8	628	828
Total assets		529,266	286,549
LIABILITIES			
Payable to the Management Company	9	3,247	1,947
Payable to Central Depository Company of Pakistan Limited - Trustee	10	80	58
Payable to the Securities and Exchange Commission of Pakistan	11	376	164
Payable against purchase of investments		34,394	-
Payable against redemption of units		-	303
Accrued expenses and other liabilities	12	2,619	1,355
Total liabilities		40,716	3,827
NET ASSETS		488,550	282,722
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		488,550	282,722
CONTINGENCIES AND COMMITMENTS	13		
		----- Number of units -----	
NUMBER OF UNITS IN ISSUE		42,872,643	24,974,471
		Rupees	
NET ASSET VALUE PER UNIT	3.11	11.3954	11.3204

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
Rupees in '000			
INCOME			
Capital gain on sale of investments - net		19,617	20,726
Income from term finance certificates		15,255	5,584
Income from government securities		11,484	7,682
Income from margin trading system		608	339
Profit on bank deposits		4,791	2,829
Dividend income		14,319	3,507
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.6	1,096	2,060
Total Income		67,170	42,727
EXPENSES			
Remuneration of the Management Company		7,908	3,121
Sindh Sales Tax on Management Company's remuneration		1,265	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		791	602
Annual fee - Securities and Exchange Commission of Pakistan		376	164
Amortisation of preliminary expenses and floatation costs	8	200	172
Auditors' remuneration	14	392	357
Annual listing fee		30	20
Printing charges		92	126
NCCPL Fee		223	78
Legal and professional charges		40	50
Securities transaction cost		2,032	944
Settlement and bank charges		336	358
Total Expenses		13,685	5,992
Net income from operating activities		53,485	36,735
Element of income and capital gains included in the prices of units issued less those in units redeemed		-	8,005
Provision for Workers' Welfare Fund	15	(1,070)	(895)
Net income for the year / period before taxation		52,415	43,845
Taxation	16	-	-
Net income for the year / period after taxation		52,415	43,845
Earnings per unit	3.12		

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

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

	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
	Rupees in '000	
Net income for the year / period after taxation	52,415	43,845
Other comprehensive income for the year / period	-	-
Total comprehensive income for the year / period	<u>52,415</u>	<u>43,845</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
	Rupees in '000	
Undistributed income brought forward		
Realised income	29,808	-
Unrealised income	2,060	-
	31,868	-
 Net income for the year / period after taxation	 52,415	 43,845
Final distribution during the year / period		
- Rs 1.05 per unit declared on July 04, 2011		
- Bonus units	(26,220)	-
- Cash distribution	(4)	-
Interim distributions during the year / period		
- Nil distributions (2011: Re 0.03 per unit declared on February 18, 2011)		
- Issue of bonus Units	-	(5,865)
- Re 0.3595 per unit declared on April 17, 2012 (2011: Re 0.03 per unit declared on April 19, 2011)		
- Issue of bonus Units	(13,537)	(6,112)
- Cash distribution	(8)	-
Element of income and capital gains included in the prices of units issued less those in units redeemed	9,360	-
Undistributed income carried forward	53,874	31,868
Undistributed income comprising of :		
Realised income	52,778	29,808
Unrealised income	1,096	2,060
	53,874	31,868

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2012

	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
	Rupees in '000	
Net assets at the beginning of the year / period	282,722	-
Issue of 40,527,216 units including 3,722,618 bonus units (2011: 30,011,109 units including 1,086,883 bonus units)	407,573	303,502
Redemption of 22,629,044 units (2011 : 5,036,638 units)	(254,148)	(56,620)
	153,425	246,882
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	1,096	2,060
Capital gain on sale of investments - net	19,617	20,726
Other net income for the year / period	31,702	21,059
	52,415	43,845
Element of income and capital gains included in the prices of units issued less those in units redeemed		
- amount representing income and capital gains - amount transferred to income statement	-	(8,005)
- amount representing income that forms part of unit holder's fund - amount transferred to distribution statement	(9,360)	-
Distributions of bonus units during the year / period		
Interim distributions	13,537	11,977
Final distribution	26,220	-
Final distribution made during the year / period		
- Rs 1.05 per unit declared on July 04, 2011		
- Issue of bonus Units	(26,220)	-
- Cash distribution	(4)	-
Interim distributions made during the year / period		
- Nil distributions (2011: Re 0.03 per unit declared on February 18, 2011)		
- Bonus units	-	(5,865)
- Re 0.3595 per unit declared on April 17, 2012 (2011: Re 0.03 per unit declared on April 19, 2011)		
- Issue of bonus Units	(13,537)	(6,112)
- Cash distribution	(8)	-
	(13,545)	(11,977)
Element of income and capital gains included in the prices of units issued less those in units redeemed	9,360	-
Net assets at the end of the year / period	488,550	282,722

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year / period	52,415	43,845
Adjustments for:		
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	(1,096)	(2,060)
Amortisation of preliminary expenses and floatation costs	200	172
Element of income and capital gains included in the prices of units issued less those in units redeemed	-	(8,005)
	<u>51,519</u>	<u>33,952</u>
(Increase) / decrease in assets		
Investments - net	(265,308)	(196,292)
Receivable against margin trading system	12,676	(12,676)
Receivable against sale of investments	5,654	(5,654)
Dividend and profit receivable	(1,698)	(2,910)
Deposits, prepayments and other receivable	117	(3,166)
	<u>(248,559)</u>	<u>(220,698)</u>
Increase in liabilities		
Payable to the Management Company	1,300	947
Payable to the Central Depository Company of Pakistan Limited - Trustee	22	58
Payable to the Securities and Exchange Commission of Pakistan	212	164
Payable against purchase of investments	34,394	-
Accrued expenses and other liabilities	1,264	1,355
	<u>37,192</u>	<u>2,524</u>
Net cash used in operating activities	<u>(159,848)</u>	<u>(184,222)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	407,573	303,502
Payments on redemption of units	(254,451)	(56,317)
Distributions paid	(12)	-
Net cash generated from financing activities	<u>153,110</u>	<u>247,185</u>
Net (decrease) / increase in cash and cash equivalents during the year / period	<u>(6,738)</u>	<u>62,963</u>
Cash and cash equivalents at the beginning of the year / period	62,963	-
Cash and cash equivalents at the end of the year / period	<u>4</u> <u>56,225</u>	<u>62,963</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Asset Allocation Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 14, 2010.

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 the SECP. The registered office of the Management Company is situated at 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi. The Management Company is a member of Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering these to the Fund. The Fund is categorized as an Open-End "Asset Allocation Scheme" as per the criteria laid down by the SECP for categorization of Collective Investment Schemes (CIS).

The objective of the Fund is to generate income by investing in debt and money market securities and to generate capital appreciation by investing in equity and equity related securities. The Fund also undertakes transactions under margin trading system.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2 to the Management Company.

Title of the assets of the Fund is held in the name of CDC as trustee of the Fund.

BASIS OF PREPARATION

2 Statement of compliance

2.1

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

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

2.2

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures' This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements during the current year.
- b) IFRS 7, 'Financial instruments: Disclosures' This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard does not have any impact on the Fund's financial statements.

NAFA ASSET ALLOCATION FUND

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

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

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any significant effect on the Fund's financial statements.
- b) IFRS 7, 'Financial instruments: Disclosures' (effective January 1, 2013). This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

2.5 Accounting Convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments Recognition and Measurement.'

2.6 Functional and Presentational Currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentational currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances in savings accounts and other deposits with banks having original maturities of three months or less. Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories:

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

NAFA ASSET ALLOCATION FUND

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available for sale

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

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

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

- Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

- Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan in accordance with the requirements of the NBFC Regulations.

- 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.

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'.

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'.

b) Loans and receivables

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

NAFA ASSET ALLOCATION FUND

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

3.2.5 Impairment

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

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 1 of 2009 dated January 6, 2009 issued by the SECP. Impairment losses recognised on debt securities can be reversed through the 'Income Statement'.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

b) Equity securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, amongst other indicators, as an indicator that the security is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 'income statement' is reclassified from 'unit holders' fund' to 'income statement'. Impairment losses recognised on equity instruments are not reversed through the 'income statement'.

c) Loans and receivables

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

3.2.6 Derecognition

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

3.2.7 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.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to management company, payable to trustee and other liabilities.

3.5 Preliminary expenses and floatation costs

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

3.4 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.

NAFA ASSET ALLOCATION FUND

3.6 Taxation

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

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

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 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 avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.7 Issue and redemption of units

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

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

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

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

During the current year, the Fund has revised its methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned during the year and on unrealised appreciation / (diminution) arising during the year on available for sale securities. The amount so determined is taken directly to the distribution statement. Previously, the element was calculated based on cumulative values of undistributed income and unrealised gain / loss on available for sale securities present in the net asset value of units. The element which related to income earned during the year was recognised in the income statement, while the remaining amount was recognised in the distribution statement.

The revised methodology, in the opinion of the management, reflects a more appropriate manner for presentation of element. The change in the presentation of element in the financial statements has been based on the recommendation of the Institute of Chartered Accountants of Pakistan (ICAP) to the Securities and Exchange Commission of Pakistan (SECP). As per ICAP's recommendation to the SECP, element of income, being in the nature of "equalization account" does not qualify for recognition either as expense or income as per International Financial Reporting Standards (IFRSs). Therefore, in order to enhance harmonization of mutual fund accounting with the primary accounting framework, the net balance of element of income at the end of the reporting period has been recognised directly in the distribution statement.

The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology:

- Income for the year would have been higher by Rs. 9.360 million; and
- amount taken to distribution statement would have been higher by Rs 4.840 million

3.9 Securities under Margin Trading System (MTS)

Securities purchased under margin financing are included as 'receivable against Margin Trading System (MTS)' at the fair value of consideration given. All MTS transactions are accounted for on the settlement date. Income on MTS is calculated on outstanding balance at agreed rates and recorded in the Income Statement. Transaction costs are expensed in the Income Statement.

3.10 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

NAFA ASSET ALLOCATION FUND

3.11 Net asset value per unit

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

3.12 Earnings per unit

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

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the dividend is established.
- Income on treasury bills is recognised on straight line basis.
- Income from investments in term finance certificates is recognised on an accrual basis, except where recovery is doubtful in which case it is credited to the suspense account.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.
- Income on MTS transactions is recognised on an accrual basis.

	Note	2012	2011
		Rupees in '000	
4 BANK BALANCES			
In savings accounts	4.1	54,699	62,735
In current accounts		<u>1,526</u>	<u>228</u>
		<u><u>56,225</u></u>	<u><u>62,963</u></u>

4.1 These accounts carry a rate of return ranging from 6.00% to 11.00% (2011 : 5.00% to 12.00%) per annum.

	Note	2012	2011
		(Rupees in '000)	
5 INVESTMENTS			
At fair value through profit or loss:			
- Equity securities - listed	5.1	145,275	76,501
- Term finance certificates - listed	5.2	67,320	52,206
- Government securities	5.3	214,161	69,645
Loans and receivables	5.4	<u>38,000</u>	<u>-</u>
		<u><u>464,756</u></u>	<u><u>198,352</u></u>

NAFA ASSET ALLOCATION FUND

5.1 Investment in shares of listed companies at fair value through profit or loss

Share of Listed Companies - Fully paid ordinary of Rs. 10 each unless stated otherwise

Name of the investee company	Number of shares					Market value as at June 30, 2012	Investment as a percentage of		
	As at July 01, 2011	Purchases during the year	Bonus / Right Issue	Sales during the year	As at June 30, 2012		Net assets	Market value of total investments	Paid up capital of the investee company
						Rupees in '000	----- % -----		
Oil & Gas									
Attock Petroleum Limited	9,900	32,900	-	42,800	-	-	-	-	-
Attock Refinery Limited	-	36,000	-	36,000	-	-	-	-	-
National Refinery Limited	200	15,600	-	15,800	-	-	-	-	-
Oil and Gas Development Company Limited	49,173	467,620	-	485,700	31,093	4,989	1.02%	1.07	0.01
Pakistan Oilfields Limited	41,200	395,200	-	407,900	28,500	10,458	2.14%	2.25	0.01
Pakistan Petroleum Limited	70,900	780,583	4,960	772,645	83,798	15,778	3.23%	3.39	0.01
Pakistan State Oil Company Limited	10,000	90,600	-	100,300	300	71	0.01%	0.02	0.00
Chemicals									
Engro Corporation Limited	280	303,800	31,224	335,300	4	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	184,000	1,197,500	-	1,381,500	-	-	-	-	-
Fauji Fertilizer Company Limited	87,700	968,300	51,250	965,000	142,250	15,797	3.23%	3.40	0.02
Industrial Engineering									
Millat Tractors Limited	-	2,400	-	2,400	-	-	-	-	-
Construction and Materials									
Attock Cement Pakistan Limited	-	301,593	-	35,400	266,193	21,679	4.44%	4.66	0.31
D.G. Khan Cement Company Limited	-	764,000	-	761,000	3,000	118	0.02%	0.03	0.00
Lucky Cement Limited	-	713,300	-	538,800	174,500	20,136	4.12%	4.33	0.05
Electricity									
The Hub Power Company Limited	313,700	1,592,500	-	1,707,359	198,841	8,329	1.70%	1.79	0.02
Kot Addu Power Company Limited	-	87,500	-	87,500	-	-	-	-	-
Nishat Chunian Power Limited	-	125,000	-	125,000	-	-	-	-	-
Banks									
Allied Bank Limited	4,999	128,379	10,167	13,151	130,394	8,369	1.71%	1.80	0.01
Bank Al-Falah Limited	-	952,000	-	385,000	567,000	9,696	1.98%	2.09	0.42
MCB Bank Limited	-	423,700	12,380	344,325	91,755	15,253	3.12%	3.28	0.01
National Bank of Pakistan	-	1,107,500	36,050	923,450	220,100	9,583	1.96%	2.06	0.01
United Bank Limited	200	571,240	-	507,750	63,690	4,992	1.02%	1.07	0.01
Investment Banks / Companies									
Arif Habib Corporation Limited	-	123,000	-	123,000	-	-	-	-	-
Technology / Communication									
Pakistan Telecommunication Company Ltd.	-	585,000	-	583,000	2,000	27	0.01%	0.01	-
Total as at June 30, 2012						145,275	29.74%	31.25	0.89
Carrying Value as at June 30, 2012						143,232			

5.2 Listed term finance certificates- at fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at June 30, 2012	Investment as a percentage of			
	As at July 01, 2011	Purchases during the year	Sales during the year	As at June 30, 2012		Net assets	Market value of total investments	Issue size	
						Rupees in '000	----- % -----		
Listed*									
Allied Bank Limited	2,000	3,000	-	5,000	24,990	5.12	5.38	1.00%	
United Bank Limited	3,000	-	-	3,000	12,261	2.51	2.64	0.62%	
Bank Alfalah Limited	2,000	-	-	2,000	3,338	0.68	0.72	0.27%	
Engro Rupiya Certificate	3,400	-	-	3,400	16,849	3.45	3.63	0.42%	
Engro Fertilizers Limited	-	2,000	-	2,000	9,882	2.02	2.13	0.25%	
Total as at June 30, 2012						67,320	13.78	14.50	3.00%
Carrying Value as at June 30, 2012						68,181			

* Having face value Rs 5,000 each

NAFA ASSET ALLOCATION FUND

5.3 Investment in Government Securities - Market Treasury Bills - at fair value through profit or loss

Issue date	Face value					Market value as at June 30, 2012	Investment as a percentage of	
	Tenor	As at July 1, 2011	Purchases during the year	Sales / matured during the year	As at June 30, 2012		Net assets	Market value of total investments
-----Rupees in '000----- %-----								
April 21, 2011	3 months	70,000	-	70,000	-	-	-	-
May 5, 2011	3 months	-	20,000	20,000	-	-	-	-
July 14, 2011	3 months	-	70,000	70,000	-	-	-	-
May 19, 2011	3 months	-	20,000	20,000	-	-	-	-
April 7, 2011	6 months	-	110,000	110,000	-	-	-	-
February 10, 2011	6 months	-	15,000	15,000	-	-	-	-
March 10, 2011	6 months	-	90,000	90,000	-	-	-	-
February 24, 2011	6 months	-	15,000	15,000	-	-	-	-
August 11, 2011	3 months	-	30,000	30,000	-	-	-	-
September 22, 2011	6 months	-	50,000	50,000	-	-	-	-
July 14, 2011	6 months	-	40,000	40,000	-	-	-	-
October 6, 2011	3 months	-	50,000	50,000	-	-	-	-
September 22, 2011	12 months	-	50,000	50,000	-	-	-	-
March 24, 2011	12 months	-	25,000	25,000	-	-	-	-
October 6, 2011	6 months	-	25,000	25,000	-	-	-	-
November 3, 2011	3 months	-	25,000	25,000	-	-	-	-
September 8, 2011	6 months	-	45,000	45,000	-	-	-	-
November 3, 2011	6 months	-	15,000	15,000	-	-	-	-
June 16, 2011	12 months	-	100,000	100,000	-	-	-	-
January 12, 2012	6 months	-	40,000	-	40,000	39,844	8.16	8.57
March 8, 2012	3 months	-	30,000	30,000	-	-	-	-
April 5, 2012	3 months	-	75,000	75,000	-	-	-	-
April 19, 2012	3 months	-	75,000	-	75,000	74,707	15.29	16.07
July 14, 2011	12 months	-	100,000	-	100,000	99,610	20.39	21.43
Total as at June 30, 2012						214,161	43.84	46.07
Carrying Value as at June 30, 2012						214,247		

5.4 Loans and receivables

Name of the investee company	Number of certificates				Market value as at June 30, 2012	Investment as a percentage of			
	As at July 01, 2011	Purchases during the year	Sales during the year	As at June 30, 2012		Net assets	Market value of total investments	Issue size	
-----Rupees in '000----- %-----									
Sukuks *									
Hub Power Company Limited	-	11,600	4,000	7,600	38,000	7.78	8.18	1.58%	
Kot Addu Power Company Limited	-	6,000	6,000	-	-	-	-	-	
						38,000	7.78	8.18	0.02
Carrying Value as at June 30, 2012						38,000			

* Having face value Rs 5,000 each

5.5 Significant terms and conditions of term finance certificates outstanding at the year end are as follows;

Name of security	Number of certificates	Unredeemed face value (Rupees) "	Mark-up rate (per annum)	Issue date	Tenor	Secured / unsecured	Rating
Listed term finance certificates							
Allied Bank Limited	5,000	4,989	13.91%	6-Dec-06	8 Years	Unsecured	AA-
United Bank Limited	3,000	4,158	13.66%	8-Sep-06	8 Years	Unsecured	AA
Bank Alfalah Limited	2,000	1,662	14.50%	23-Nov-04	8 Years	Unsecured	AA-
Engro Rupiya Certificate	3,400	4,998	13.50%	1-Feb-11	3 Years	Secured	AA
Engro Fertilizers Limited	2,000	4,991	13.57%	30-Nov-07	8 Years	Secured	AA
Sukuks							
Hub Power Company Limited	7,600	7,600	13.09%	4-Aug-11	1 Year	Unsecured	AA+

NAFA ASSET ALLOCATION FUND

	Note	2012	2011
(Rupees in '000)			
5.6 Net unrealised appreciation in the value of investments classified as 'at fair value through profit or loss'			
Market value of investments		426,756	198,352
Less: Carrying value of investments		(425,660)	(196,292)
		<u>1,096</u>	<u>2,060</u>
6 DIVIDEND AND PROFIT RECEIVABLE			
Profit receivable on saving deposits		627	374
Dividend receivable		1	456
Profit receivable on margin trading system		-	78
Profit receivable on term finance certificates		3,980	2,002
		<u>4,608</u>	<u>2,910</u>
7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposit with National Clearing Company of Pakistan Limited		2,750	2,750
Security deposit with Central Depository Company of Pakistan Limited		100	100
Receivable against transfer sales		-	144
Prepayments		199	172
		<u>3,049</u>	<u>3,166</u>
8 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance		828	-
Preliminary expenses and floatation costs incurred during the year / period		-	1,000
Less: Amortisation during the year / period		(200)	(172)
Closing balance		<u>628</u>	<u>828</u>
9 PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	797	452
Sindh Sales Tax on Management Company's remuneration	9.2	127	-
Payable against expenses paid by the Management Company on behalf of the Fund			
-Preliminary expenses and floatation costs		1,000	1,000
-Initial deposit on opening of bank accounts		75	75
-Professional charges		38	38
-Listing fee		20	20
Front-end load payable		1,190	362
		<u>3,247</u>	<u>1,947</u>
9.1	Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 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 per annum of the average annual net assets of the Fund and thereafter of an amount equal to two percent per annum of such assets of the Fund. In the current year, remuneration of the Management company has been charged at the rate of 2 percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.		
9.2	During the current year, the Provincial Government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.		
	Note	2012	2011
(Rupees in '000)			
10 PAYABLE TO THE TRUSTEE	10.1	<u>80</u>	<u>58</u>
10.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff structure specified therein, based on the daily net assets of the Fund. The fee is paid on a monthly basis in arrears.		

NAFA ASSET ALLOCATION FUND

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2012 is as follows:

Net Assets	Tariff per annum
Upto Rs. 1,000 million	Rs.0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs.2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million

	Note	2012 (Rupees in '000)	2011
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>376</u>	<u>164</u>
11.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorised as asset allocation scheme is required to pay an annual fee to SECP at an amount equal to 0.095 percent of the average annual net assets of the Fund. The Fund has been categorised as an Asset Allocation Scheme by the Management Company.			

	Note	2012 (Rupees in '000)	2011
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		279	256
Provision for Workers' Welfare Fund	15	1,964	895
Brokerage		231	54
Settlement charges		9	75
Printing charges		102	67
Others		34	8
		<u>2,619</u>	<u>1,355</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There were no contingencies outstanding as at June 30, 2012.

13.2 Commitments

Margin Trading System transactions entered into by the Fund which have not been settled as at June 30, 2012 :

-Purchase transactions	-	3,645
-Sale transactions	-	1,886
	<u>-</u>	<u>1,886</u>

For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
	(Rupees in '000)

14 AUDITORS REMUNERATION

Annual audit fee	254	231
Half yearly review fee	102	92
Out of pocket expenses	36	34
	<u>392</u>	<u>357</u>

15 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, challenging the applicability of WWF to the CISs, which is pending adjudication.

NAFA ASSET ALLOCATION FUND

During the year ended June 30, 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 December 14, 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 ended June 30, 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, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 1.964 million (including Rs. 1.070 million for the current year) (2011: Rs 895 million for the last year) in these financial statements. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs 0.046 / 0.40% per unit.

16 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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a provision for taxation in respect of income relating to the current year as subsequent to the year end the Management Company has distributed the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders as detailed in note 28.

	2012	2011
	Number of units	
17 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year / period	24,974,471	-
Add: units issued during the year / period	36,804,598	28,924,226
Add: bonus units issued during the year / period	3,722,618	1,086,883
Less: units redeemed during the year / period	<u>22,629,044</u>	<u>5,036,638</u>
Total units in issue at the end of the year / period	<u>42,872,643</u>	<u>24,974,471</u>

18 TRANSACTIONS WITH CONNECTED PERSONS

18.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan, and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

18.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

18.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
	(Rupees in '000)	
18.5 Details of transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration for the year / period	7,908	3,121
Sindh sales tax on remuneration	1,265	-
Expenses paid by the Management Company on behalf of the Fund		
- Preliminary expenses and floatation costs	-	1,000
- Initial deposit on opening of bank accounts	-	75
- Professional charges	-	48
- Listing fee	-	20
- Front-end load	4,371	507
NAFA Employees Provident Fund		
Issue of 210,075 units	2,311	-
Redemption / transfer out of 216,451 units	2,455	-
Issue of 6,376 bonus units	-	-

NAFA ASSET ALLOCATION FUND

	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
	(Rupees in '000)	
Alexandra Fund Management Pte. Limited - Sponsor		
Issue of Nil units (2011: 16,308,503 units)	-	164,866
Issue of 2,348,559 bonus units (2011 : 900,093 bonus units)	-	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year / period	791	602
CDS charges	43	282
Employees of the Management Company		
Issue/ transfer in of 1,845,341 units 2011: 703,504 units	20,537	7,889
Redemption / transfer out of 1,846,602 units 2011 : 590,812 units	20,459	6,651
Issue of 17,530 bonus units 2011 : 4,121 bonus units	-	-
Taurus Securities Limited		
Brokerage expense	154	75
	2012	2011
	(Rupees in '000)	
18.6 Amounts outstanding as at year / period end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	797	452
Sindh Sales Tax on remuneration of management company	127	
Preliminary expenses and floatation costs	1,000	1,000
Initial deposit on opening of bank accounts	75	75
Professional charges	38	38
Listing fee	20	20
Front-end load	1,190	362
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	80	58
CDS charges payable	9	3
Security deposit	100	100
National Bank of Pakistan		
Balance in current account	1,526	228
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the sponsor in the Fund 19,557,156 units (2011: 17,208,597 units)	222,862	194,808
NAFA Government Securities Liquid Fund		
Payable against transfer out of units	-	303
Employees of the Management Company		
Investment held in the Fund 133,050 units (2011 : 116,813 units)	1,516	1,322
Taurus Securities Limited		
Brokerage payable	-	9
NAFA Savings Plus Fund		
Receivable against transfer sales	-	144

19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	24
2	Sajjad Anwar	MBA / CFA	12
3	Hussain Yasar	MBA / Passed CFA Level-1	6.5
4	Tanveer Abid	MBA / CFA / FRM	13
5	Ahmed Nouman	EMBA / CFA	16

19.1 Mr. Hussain Yasar is the manager of the Fund. He is also the manager of NAFA Income Opportunity Fund and NAFA Islamic Aggressive Income Fund.

NAFA ASSET ALLOCATION FUND

20 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

For the year
ended June
30, 2012

1	Taurus Securities Limited	8.92%
2	AKD Securities Limited	7.15%
3	Invest & Finance Securities (Private) Limited	6.24%
4	Foundation Securities Limited	5.65%
5	Elixir Securities Limited	5.49%
6	Habib Metro Securities Limited	5.39%
7	KASB Securities Limited	4.65%
8	NEXT Securities Limited	4.59%
9	Topline Securities Limited	4.58%
10	Fortune Securities Limited	4.54%

For the period
from August 2,
2010 to June
30, 2011

1	KASB Securities Limited	10.84%
2	Taurus Securities Limited	9.34%
3	Invisor Securities (Private) Limited	8.70%
4	JS Global Capital Limited	7.73%
5	BMA Capital Management Limited	7.69%
6	NEXT Securities Limited	6.79%
7	Habib Metro Securities Limited	6.56%
8	Topline Securities Limited	6.19%
9	Elixir Securities Limited	6.11%
10	AKD Securities Limited	5.57%

21 DETAILS OF PATTERN OF UNIT HOLDING

-----June 30, 2012-----

Category	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	328	246,556	50.47%
Associated companies / Directors	1	222,862	45.62%
Retirement funds	9	17,591	3.60%
Others	1	1,541	0.32%
	<u>339</u>	<u>488,550</u>	<u>100.00%</u>

-----June 30, 2011-----

Category	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	179	87,914	31.10%
Associated companies / Directors	1	194,808	68.90%
	<u>180</u>	<u>282,722</u>	<u>100.00%</u>

NAFA ASSET ALLOCATION FUND

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 32nd, 33rd, 34th, 35th and 36th Board meetings were held on July 04, 2011, September 29, 2011, October 27, 2011, February 17, 2012 and April 17, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Shahid Anwar Khan	5	3	2	34th, 35th meeting
Dr. Asif A. Brohi	5	2	3	33rd, 34th, 35th meeting
Mr. Wah Geok Sum	5	2	3	33rd, 34th, 36th meeting
Mr. Patrick Pang Chin Hwang***	4	4	-	
Mr. Shehryar Faruque	5	3	2	32nd, 36th meeting
Mr. Kamal Amir Chinoy	5	3	2	34th, 35th meeting
Syed Iqbal Ashraf*	1	0	1	32nd meeting
Dr Amjad Waheed	5	5	-	
Mr. Amir Shehzad	3	3	-	
Mr. Koh Boon San****	1	1	-	

* Syed Iqbal Ashraf retired from the Board with effect from August 27, 2011

** Mr. Amir Shehzad was co-opted on the Board with effect from September 20, 2011

*** Mr. Patrick Pang Chin Hwang retired from the Board with effect from March 31, 2012

**** Mr. Koh Boon San was co-opted on the Board with effect from February 17, 2012

23 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2012-----

	Loans and receivables	At fair value through profit or loss	Other financial liabilities	Total
------(Rupees in '000)-----				
Financial assets				
Bank balances	56,225	-	-	56,225
Investments	38,000	426,756	-	464,756
Dividend and profit receivable	4,608	-	-	4,608
Advances, deposits and other receivables	2,850	-	-	2,850
	<u>101,683</u>	<u>426,756</u>	<u>-</u>	<u>528,439</u>

-----As at June 30, 2012-----

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
------(Rupees in '000)-----			
Financial liabilities			
Payable to the Management Company	-	3,247	3,247
Payable to Central Depository Company of Pakistan Limited - Trustee	-	80	80
Payable against purchase of investments	-	34,394	34,394
Accrued expenses and other liabilities	-	655	655
	<u>-</u>	<u>38,376</u>	<u>38,376</u>

NAFA ASSET ALLOCATION FUND

-----As at June 30, 2011-----			
Loans and receivables	At fair value through profit or loss	Available for sale	Total
------(Rupees in '000)-----			
Financial assets			
Balances with banks	62,963	-	62,963
Receivable against Margin Trading System	12,676	-	12,676
Receivable against sale of investments	5,654	-	5,654
Investments	-	198,352	198,352
Dividend and profit receivable	2,910	-	2,910
Advances, deposits and other receivables	2,994	-	2,994
<u>87,197</u>	<u>198,352</u>	<u>-</u>	<u>285,549</u>
-----As at June 30, 2011-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
------(Rupees in '000)-----			
Financial liabilities			
Payable to the Management Company	-	1,947	1,947
Payable to Central Depository Company of Pakistan Limited - Trustee	-	58	58
Payable against redemption of units	-	303	303
Accrued expenses and other liabilities	-	459	459
	<u>-</u>	<u>2,767</u>	<u>2,767</u>

24 FINANCIAL RISK MANAGEMENT

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

24.1 Market risk

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

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

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

24.1.1 Currency risk

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

24.1.2 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.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing term finance certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2012 with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.137 (2011: Rs.0.020 million).

NAFA ASSET ALLOCATION FUND

The composition of the Fund's investment portfolio and KIBOR rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2012, the Fund holds Market Treasury Bills which are classified as 'at fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2012, with all other variables held constant, the net income for the period and net assets would be lower by Rs 0.0059 million (2011: Rs 0.025 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2012, with all other variables held constant, the net income for the period and net assets would be higher by Rs 0.135 million (2011: Rs 0.025 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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.

-----June 30, 2012-----

Effective Interest rate	Total	'---Exposed to yield / interest rate risk---			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
%	----- (Rupees in '000) -----				

On-balance sheet financial instruments

Financial assets

Balances with banks	6.00 - 11%	56,225	54,699	-	-	1,526
Investments	13.57 - 14.5	464,756	319,481	-	-	145,275
Dividend and profit receivable		4,608				4,608
Advances, deposits and other receivables		2,850				2,850
		528,439	374,180	-	-	154,259

Financial liabilities

Payable to the Management Company		3,247	-	-	-	3,247
Payable to Central Depository Company of Pakistan Limited - Trustee		80	-	-	-	80
Payable against purchase of investments		34,394	-	-	-	34,394
Accrued expenses and other liabilities		655	-	-	-	655
		38,376	-	-	-	38,376

On-balance sheet gap

490,063	374,180	-	-	115,883
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NAFA ASSET ALLOCATION FUND

-----June 30, 2011-----					
Effective Interest rate	Total	'---Exposed to yield / interest rate risk---			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
%		----- (Rupees in '000) -----			
On-balance sheet financial instruments					
Financial assets					
Balances with banks	5.00 - 12%	62,963	62,735	-	228
Receivable against Margin Trading System		12,676			12,676
Receivable against sale of investments		5,654	-	-	5,654
Investments	13.28 - 15.67	198,352	121,851	-	76,501
Dividend and profit receivable		2,910	-	-	2,910
Advances, deposits and other receivables		2,994	-	-	2,994
		285,549	184,586	-	100,963
Financial liabilities					
Payable to the Management Company		1,947	-	-	1,947
Payable to Central Depository Company of Pakistan Limited - Trustee		58	-	-	58
Payable on redemption of units		303	-	-	303
Accrued expenses and other liabilities		459	-	-	459
		2,767	-	-	2,767
On-balance sheet gap		282,782	184,586	-	98,196
Off-balance sheet financial instruments					
Margin Trading System (MTS) transactions entered into by the Fund which have not been settled as at June 30, 2011 :					
-Purchase transactions		3,645	-	-	3,645
-Sale transactions		(1,886)	-	-	(1,886)
Off-balance sheet gap		1,759	-	-	1,759
Total interest rate sensitivity gap		284,541	184,586	-	99,955

24.1.3 Price risk

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

The Fund is exposed to equity price risk because of the investments held by the Fund and classified in the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss'. The Fund manages price risk by limiting individual equity securities to not more than ten percent of net assets attributable to holders of the Fund's assets. Moreover, the sector limits have also been restricted to twenty five percent. The equity investments are listed on the Karachi Stock Exchange. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed on a regular basis by the investment committee as well as the Board of Directors.

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, net income for the year would increase / decrease by Rs 8.817 million (2011: Rs 4.073 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'at fair value through profit or loss'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

NAFA ASSET ALLOCATION FUND

24.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to balances with banks, its investment in term finance certificates, receivable against sale of investments, dividend receivable and profit receivable on balances with banks. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated by a well known rating agency. Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken 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. The Fund does not expect to incur material credit losses on its financial assets.

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

Balances with banks by rating category	2012	2011
	Percentage	
A1+	99.94%	99.95%
A-2	0.06%	0.05%
	<u>100.00%</u>	<u>100.00%</u>
Term finance certificates by rating category		
AA	43.24%	80.76%
AA-	56.76%	19.24%
	<u>100.00%</u>	<u>100.00%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets.

24.2.1 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 is mainly concentrated in government securities and bank balances with commercial banks whereas the remaining transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than government.

24.2.2 Settlement risk

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

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

24.3 Liquidity risk

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

The Fund is exposed to settlement of equity securities and to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed off and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

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

NAFA ASSET ALLOCATION FUND

	June 30, 2012			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
Financial liabilities				
Payable to the Management Company	3,247	3,247	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	80	80	-	-
Payable against purchase of investments	34,394	34,394	-	-
Accrued expenses and other liabilities	655	655	-	-
	<u>38,376</u>	<u>38,376</u>	<u>-</u>	<u>-</u>
	June 30, 2011			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
Financial liabilities				
Payable to the Management Company	1,947	452	-	1,495
Payable to Central Depository Company of Pakistan Limited - Trustee	58	58	-	-
Payable against purchase of investments	303	303	-	-
Accrued expenses and other liabilities	459	459	-	-
	<u>2,767</u>	<u>1,272</u>	<u>-</u>	<u>1,495</u>

25 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit holders' Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

26 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 the 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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall 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, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

NAFA ASSET ALLOCATION FUND

Investments carried at fair value are categorised as follows:

	----- As at June 30, 2012 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Financial assets classified as 'fair value through profit or loss'				
Investment in Equity securities - listed	145,275	-	-	145,275
Investment in Term finance certificates - listed	-	67,320	-	67,320
Investment in Government securities	-	214,161	-	214,161

	----- As at June 30, 2011 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Financial assets classified as 'fair value through profit or loss'				
Investment in Equity securities - listed	76,501	-	-	76,501
Investment in Term finance certificates - listed	-	52,206	-	52,206
Investment in Government securities	-	69,645	-	69,645

27 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. During the current year, there were no major reclassifications.

28 NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on July 9, 2012 approved a distribution of Rs. 1.0784 per unit. The financial statements of the Fund for the year ended June 30, 2012 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2013.

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 11, 2012 .

30 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

Performance Table

Particulars	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
Net assets (Rs. '000')	488,550	282,722
Net Income (Rs. '000')	52,415	43,845
Net Asset Value per units (Rs.)	11.3954	10.2704
Offer price per unit	11.6233	10.4758
Redemption price per unit	11.3954	10.2704
Highest offer price per unit (Rs.)	11.0066	10.5262
Lowest offer price per unit (Rs.)	9.1810	8.7855
Highest redemption price per unit (Rs.)	10.7908	10.3198
Lowest redemption price per unit (Rs.)	9.0010	8.6132
Total return of the fund	14.38%	19.45%
Capital growth	0.00%	2.95%
Income distribution	14.38%	16.50%
Interim distribution per unit	0.3595	0.6000
Final distribution per unit	1.0784	1.0500
Distribution dates		
Interim	17-Apr-12	18-Feb-11 & 19-Apr-11
Final	9-Jul-12	4-Jul-11
Average annual return (launch date 21-08-2010)		
(Since inception to June 30, 2012)	36.63%	
(Since inception to June 30, 2011)		19.45%
Portfolio Composition (Please see Fund Manager Report)		

"Past performance is not necessarily indicative of future performance and that unit prices and investment return returns may go down, as well as up."

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