



NBP Fullerton
Asset Management Ltd.
A Subsidiary of
National Bank of Pakistan

NAFA ASSET ALLOCATION FUND

ANNUAL REPORT 2014



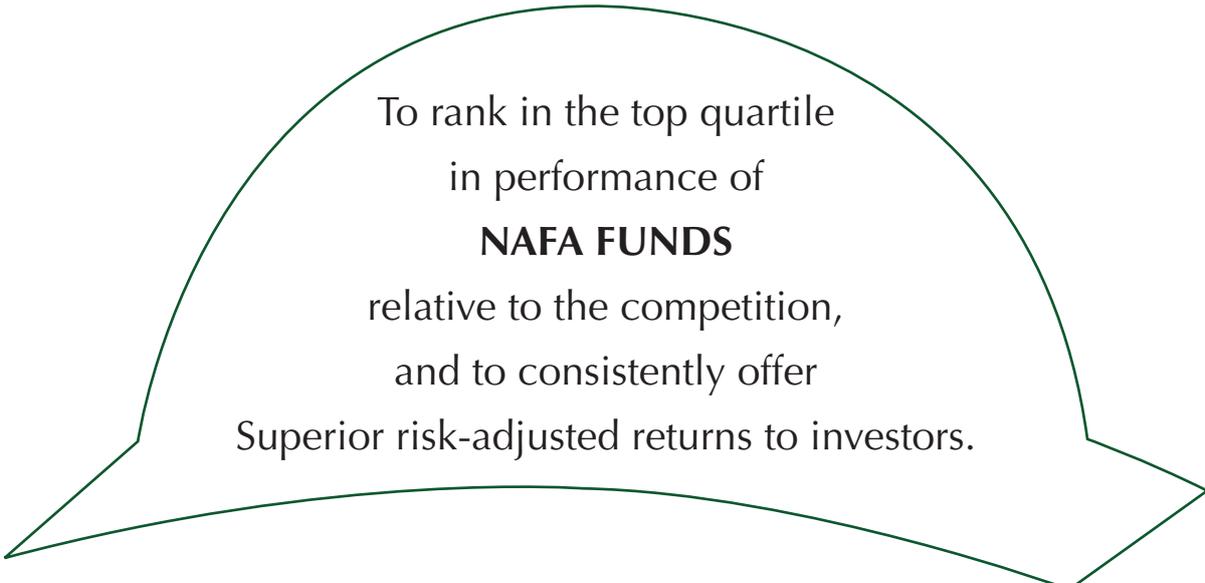
Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

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. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shahra-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:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town, Lahore.
UAN: 042-111-111-632
Fax: 92-42-35861095

Islamabad Office:

Plot No. 395, 396
Industrial Area, I-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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Board of Directors



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Wah Geok Sum
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. M. Murtaza Ali
Chief Financial Officer
& Company Secretary



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. Zeeshan
Chief – Strategy &
Business Development



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing & Sales



Mr. Ozair Khan
Chief Technology Officer



Mr. Muhammad Ali, CFA, FRM
Head of Fixed Income



Mr. Ahmad Nouman CFA, PRM
Head of Risk Management



Syed Suleman Akhtar CFA
Head of Research



Mr. Tahir Lateef
Head of Internal Audit

NAFA ASSET ALLOCATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Fourth Annual Report of **NAFA Asset Allocation Fund** for the year ended June 30, 2014.

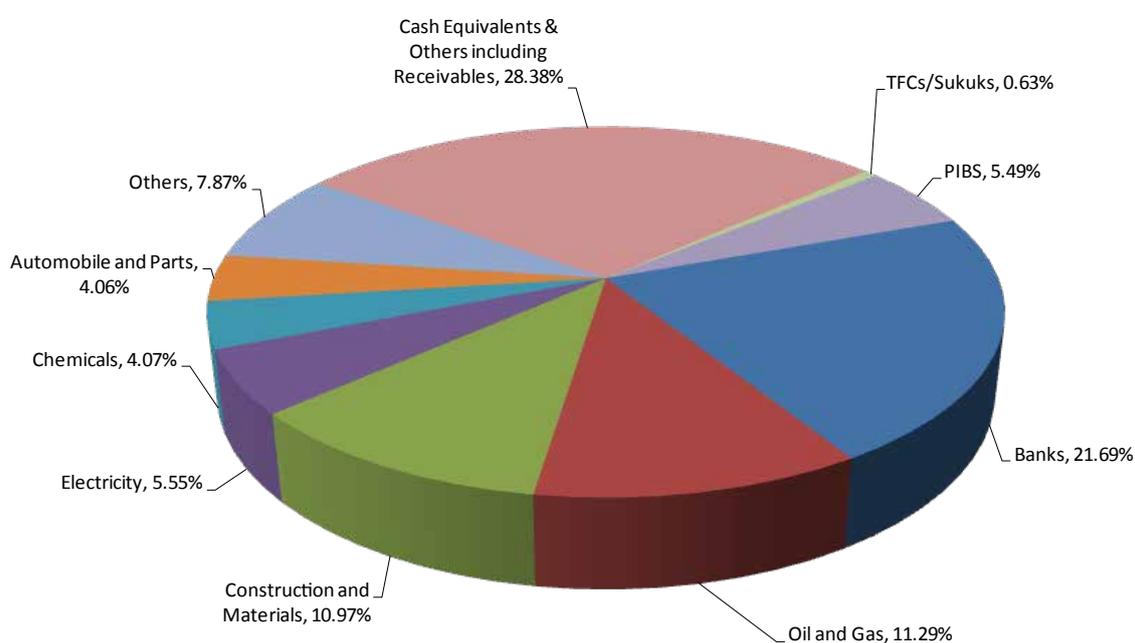
Fund's Performance

During FY2013-14, the stock market (KSE-100 Index) surged by 41.2%. The aforesaid solid performance was driven by positive developments on the economic front, such as Pakistan's entry into a fresh IMF program, significant improvement in country's external account which buttressed foreign exchange reserves and Pak rupee, controlled inflation, lower fiscal deficit and higher GDP growth supported by a revival in the industrial sector. The improvements on the economic front coupled with increase in Pakistan's weight in the MSCI Frontier Market Index resulted in sizable foreign buying in the local bourse, helping the Index touch new highs.

Due to a precarious external account position and expected increase in inflation, SBP increased the Policy Rate by 100 bps to 10% during FY14. The yields on bonds in the secondary market remained on the higher side due to increase in interest rates and tight liquidity conditions. On the corporate debt sphere, we have witnessed some increase in primary issuance of corporate debt amid a pick-up in economic activity. Trading activity in TFCs remained skewed towards high quality issues, notably belonging to the Chemicals and Banking sectors. All TFCs in the Fund are floating rate linked to KIBOR. Therefore, any increase in the interest rates will improve the coupon income of the Fund. .

During the fiscal year, the return on NAFA Asset Allocation Fund was 13.66% versus benchmark (33% KSE-30 Index, 33% 6-Month KIBOR, 33% 3-month bank deposit rate) return of 14.23%. Thus the Fund underperformed by 0.57% during the year. NAAF slightly underperformed due to conservative asset allocation initially adopted by the Fund.

NAFA Asset Allocation Fund has earned a total income of Rs.237.39 million during the year. After deducting total expenses of Rs.58.46 million, the net income is Rs.178.93 million. The asset allocation of NAFA Asset Allocation Fund as on June 30, 2014 is as follows:



NAFA ASSET ALLOCATION FUND

Income Distribution

The Board of Directors of the Management Company has approved distribution of 8.00% of opening ex-NAV (9.05% of the par value) during the year.

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 for the year ending June 30, 2015.

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 six meetings during the year. The attendance of all directors is disclosed in the note 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 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 19 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 16, 2014
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, 2014 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: October 10, 2014

NAFA ASSET ALLOCATION FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA ASSET ALLOCATION FUND FOR THE YEAR ENDED JUNE 30, 2014

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. As at June 30, 2014, the Board included:

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. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 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 of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy was occurred on the board on October 10, 2013 which was filled up on the same date.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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 the Code requires every listed company to conduct formal orientation for directors. As per the Code, by June 30, 2014 a minimum of two directors should have attended director training program. As at year end, one of the directors has attended the director's training program offered by Pakistan Institute of Corporate Governance. The Company has started the process for training of other directors and it is expected that some of other directors may also obtain certification of the director's training program in the next year. However, 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. There was no new appointment of the Chief Financial Officer (CFO) and Company Secretary during the year. However, the Head of Internal Audit left the Company on March 07, 2014 and in his place a new appointment was made on April 08, 2014 with the approval of audit and risk committee including remuneration and terms and conditions. The appointment of the Head of Internal Audit has been ratified by the Board in its meeting held on September 16, 2014, subsequent to the year end.
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 19 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 an 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 committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is a non-independent director.

NAFA ASSET ALLOCATION FUND

18. The Board has set up an effective internal audit function.
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. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, 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. While the Code of Corporate Governance requires that a mechanism shall be put in place for the annual evaluation of the Board's own performance by April 2014, the Management Company is in the process of preparing a framework for this purpose and eventual approval by the Board of Directors of the Management Company.

For and behalf of the board

Karachi
September 16, 2014

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

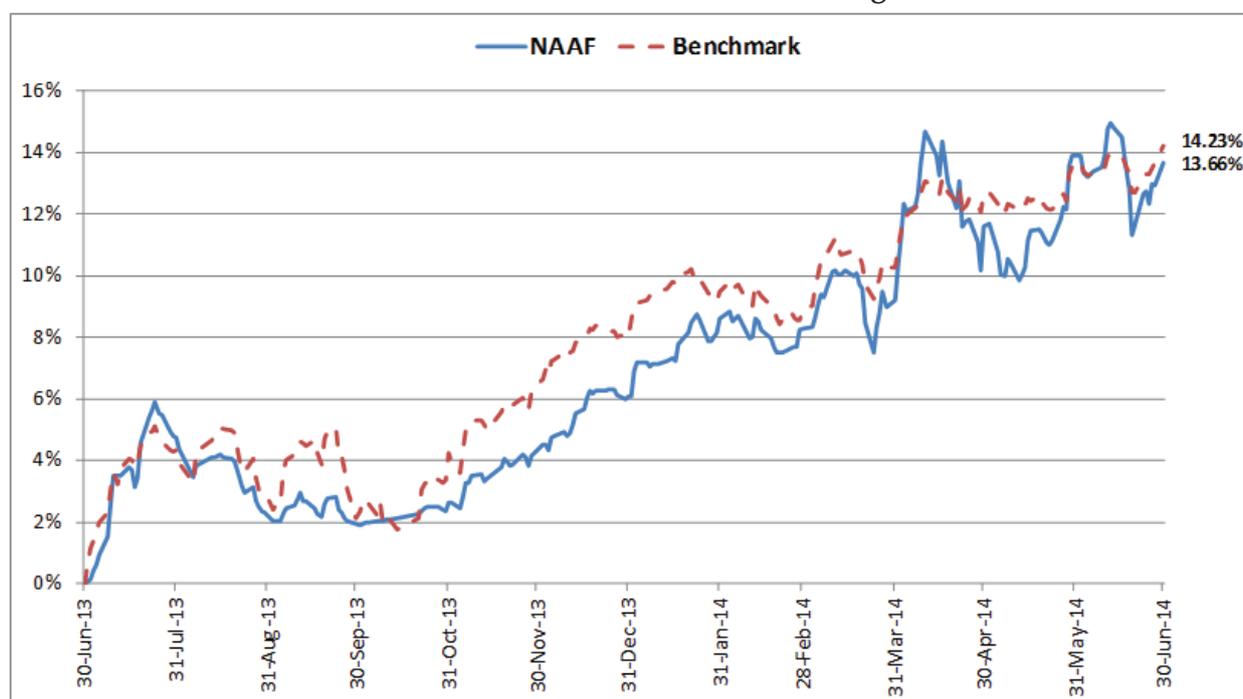
1/3 of Average 3-month Bank Deposit Rates, 1/3 of 6-month KIBOR and 1/3 of KSE-30 Index

Fund Performance Review

This is the Fourth annual report of the Fund. During the year under review, the return on NAFA Asset Allocation Fund was 13.66% 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 14.23%. Thus the Fund depicted an under-performance of 0.57% during the year. Since its inception on August 21, 2010, the NAV of NAAF has risen by 104.97% while the benchmark has increased by 62.46%, thus to date out-performance is 42.51%. The out-performance of the Fund is net of management fee and all other expenses. Thus, NAAF has met its investment objective. During the year, the fund size of NAAF increased by 66.60% to Rs.1,917mn.

During the year, NAAF underperformed the benchmark as it remained underweight in equities during the first half of the year owing to high market volatility amid challenging law and order situation, precarious external account position, and uptick in interest rates. However, towards the end of the year, the weight in equities was increased which allowed the fund to recover its performance. The Fund followed a strategy of investing in high dividend yielding and relatively liquid stocks belonging to defensive sectors. The chart below shows the performance of NAAF against the benchmark for the year.

NAAF Performance vs Benchmark during FY14



NAFA ASSET ALLOCATION FUND

At the start of the year, NAAF was around 1% invested in equities. During the year, we altered the allocation of the Fund based on our view on the relative performance of different asset classes. Towards the end of the year, the allocation in equities was around 65%.

The solid performance of the stock market was driven by positive developments on the economic front, such as Pakistan's entry into a fresh IMF program, significant improvement in country's external account which buttressed foreign exchange reserves and Pak rupee, controlled inflation, lower fiscal deficit and higher GDP growth supported by a revival in the industrial sector. The improvements on the economic front coupled with increase in Pakistan's weight in the MSCI Frontier Market Index resulted in sizable foreign buying in the local bourse, helping the Index touch new highs.

Due to a precarious external account position and expected increase in inflation, SBP increased the Policy Rate by 100 bps to 10% during FY14. The yields on bonds in the secondary market remained on the higher side due to increase in interest rates and tight liquidity conditions. On the corporate debt sphere, we have witnessed some increase in primary issuance of corporate debt amid a pick-up in economic activity. Trading activity in TFCs remained skewed towards high quality issues, notably belonging to the Chemicals and Banking sectors. All TFCs in the Fund are floating rate linked to KIBOR. Therefore, any increase in the interest rates will improve the coupon income of the Fund.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-14	30-Jun-13
Equities / Stocks	65.50%	0.56%
TFCs	0.63%	2.30%
Cash Equivalents	29.21%	92.43%
PIBs	5.49%	-
Other Net (Liabilities) / Assets	-0.83%	4.71%
Total	100.00%	100.00%

Distribution for the Financial Year 2014

Interim Period / Quarter	Dividend as a % of Par Value	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Half year ended Dec-2013	2.263	12.3565	12.1302
Qtr ended March-2014	2.263	12.307	12.0807
Qtr ended June-2014	4.526	12.3195	11.8669

NAFA ASSET ALLOCATION FUND

Unit Holding Pattern of NAFA ASSET ALLOCATION FUND as on June 30, 2014

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	79
1,001	5,000	147
5,001	10,000	152
10,001	50,000	432
50,001	100,000	180
100,001	500,000	165
500,001	1,000,000	27
1,000,001	5,000,000	12
5,000,001	10,000,000	4
10,000,001	100,000,000	2
Total:		1200

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. 10,014,080/-If the same were not made the NAV per unit/return of scheme would have been higher by Rs.0.0627/ 0.59%.For details investors are advised to read the Note 15 of the Financial Statements of the Scheme for the year ended 30, June 2014.

NAFA ASSET ALLOCATION FUND

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Asset Allocation Fund** (the Fund) for the year ended June 30, 2014 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 (**NBP Fullerton Asset Management Limited**) of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2014.

Further, we highlight below the instances of non-compliance with the requirements of the Code as reflected in paragraph references where these have been stated in the Statement of Compliance:

Paragraph reference	Description
9	Upto June 30, 2014, only one director has obtained the director's training program as against the requirement of at least two directors till June 30, 2014.
21	No closed period was determined prior to the announcement of interim / final results.
23	The Management Company has not set up a mechanism for the annual evaluation of the Board's own performance.

A.F. Ferguson & Co. Chartered Accountants
Dated: September 16, 2014
Karachi

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** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2014, and the related income statement, 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 (**NBP Fullerton Asset Management Limited**) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

A.F. Ferguson & Co. Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 18, 2014
Karachi

NAFA ASSET ALLOCATION FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
ASSETS			
Cash and balances with banks	4	559,897	1,063,978
Investments	5	1,372,756	32,865
Receivable against sale of investments		-	61,422
Dividend and profit receivable	6	9,812	886
Deposits, prepayments and other receivables	7	8,978	4,351
Preliminary expenses and floatation costs	8	199	400
Total assets		1,951,642	1,163,902
LIABILITIES			
Payable to the Management Company	9	7,253	3,536
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	235	176
Payable to the Securities and Exchange Commission of Pakistan	11	1,427	712
Payable against purchase of investments		14,579	-
Payable against redemption of units		86	-
Accrued expenses and other liabilities	12	11,161	8,421
Total liabilities		34,741	12,845
NET ASSETS		1,916,901	1,151,057
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		1,916,901	1,151,057
CONTINGENCIES AND COMMITMENTS	13	----- Number of units -----	
NUMBER OF UNITS IN ISSUE	17	159,691,480	87,321,417
NET ASSET VALUE PER UNIT	3.12	12.0038	13.1818

The annexed notes 1 to 29 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, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
INCOME			
Capital gain on sale of investments - net		78,749	179,824
Income from Term finance certificates		2,542	8,191
Income from Pakistan Investment Bonds		7,616	-
Income from Government securities - Market Treasury Bills		21,673	4,462
Income from margin trading system		-	57
Profit on bank deposits		51,984	22,178
Dividend income		30,700	30,593
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.5	44,129	575
Total Income		237,393	245,880
EXPENSES			
Remuneration of the Management Company	9.1	30,032	14,987
Sindh Sales Tax on Management Company's remuneration		5,603	2,398
Federal Excise Duty on Management Company's remuneration	9.2	4,805	181
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	2,502	1,483
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	1,427	712
Amortisation of preliminary expenses and floatation costs	8	201	228
Auditors' remuneration	14	515	453
Annual listing fee & Mutual Fund rating fee		150	130
Printing charges		101	58
National Clearing Company of Pakistan Limited fee		250	228
Legal and professional charges		101	40
Securities transaction cost		8,139	4,561
Settlement and bank charges		989	516
Total Expenses		54,815	25,975
Net income from operating activities		182,578	219,905
Provision for Workers' Welfare Fund	15	(3,652)	(4,398)
Net income for the year before taxation		178,926	215,507
Taxation	16	-	-
Net income for the year after taxation		178,926	215,507
Earnings per unit	3.13		

The annexed notes 1 to 29 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, 2014

	2014	2013
	(Rupees in '000)	
Net income for the year after taxation	178,296	215,507
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>178,296</u>	<u>215,507</u>

The annexed notes 1 to 29 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, 2014

	2014	2013
	(Rupees in '000)	
Undistributed income brought forward		
Realised income	257,229	52,778
Unrealised income	575	1,096
	<u>257,840</u>	<u>53,874</u>
 Net income for the year after taxation	 178,926	 215,507
Final distribution during the year		
- Rs 1.8674 per unit declared on July 11, 2013 (2013: Re 1.0784 per unit declared on July 09, 2012)		
- Issue of bonus units	(180,213)	(46,398)
- Cash distribution	(6)	(10)
Interim distributions during the year		
- Re 0.2263 per unit declared on February 13, 2014 (2013: Re 0.2063 per unit declared on February 26, 2013)		
- Issue of bonus units	(27,445)	(13,262)
- Cash distribution	(4)	(2)
- Re 0.2263 per unit declared on February 13, 2014 (2013: Re 0.2063 per unit declared on April 26, 2013)		
- Issue of bonus units	(33,733)	(16,989)
- Cash distribution	(4)	(1)
- Re 0.4526 per unit declared on June 26, 2014 (2013: Nil)		
- Issue of bonus units	(63,944)	-
- Cash distribution	(5)	-
 Element of income and capital gains included in the prices of units issued less those in units redeemed	 73,739	 65,085
Undistributed income carried forward	<u>205,105</u>	<u>257,804</u>
Undistributed income comprising of:		
Realised income	160,976	257,229
Unrealised income	44,129	575
	<u>205,105</u>	<u>257,804</u>

The annexed notes 1 to 29 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, 2014

	2014	2013
	(Rupees in '000)	
Net assets at the beginning of the year	1,151,057	488,550
Issue of 240,786,836 units including 25,742,587 bonus units (2013: 101,657,183 units including 6,934,498 bonus units)	2,618,289	1,127,289
Redemption of 168,416,773 units (2013 : 57,226,409 units)	(2,031,352)	(680,276)
	586,937	447,013
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'-net	44,129	575
Capital gain on sale of investments - net	78,749	179,824
Other net income for the year	56,048	35,108
	178,926	215,507
Element of income and capital gains included in the prices of units issued less those in units redeemed		
- Amount transferred to distribution statement	(73,739)	(65,085)
Distributions of bonus units during the year		
Interim distributions	125,132	30,251
Final distribution	180,213	46,398
Final distribution made during the year		
- Rs 1.8674 per unit declared on July 11, 2013 (2013: Re.1.0784 units declared on July 09, 2012)		
- Issue of bonus Units	(180,213)	(46,398)
- Cash distribution	(6)	(10)
Interim distributions made during the year		
- Re 0.2263 per unit declared on February 13, 2014 (2013: Re. 0.2063 per unit declared on February 26, 2013)		
- Issue of bonus units	(27,455)	(13,262)
- Cash distribution	(4)	(2)
- Re 0.2263 per unit declared on April 30, 2014 (2013: Re 0.2063 per unit declared on April 26, 2013)		
- Issue of bonus units	(33,733)	(16,989)
- Cash distribution	(4)	(1)
- Re 0.4526 per unit declared on June 26, 2014 (2013: Nil)		
- Issue of bonus units	(63,944)	-
- Cash distribution	(5)	-
	(125,145)	(30,254)
Element of income and capital gains included in the prices of units issued less those in units redeemed	73,739	65,085
Net assets at the end of the year	1,916,901	1,151,057

The annexed notes 1 to 29 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, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		178,926	215,507
Adjustments for:			
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'-net		(44,129)	(575)
Amortisation of preliminary expenses and floatation costs		201	228
		<u>134,998</u>	<u>215,160</u>
(Increase) / decrease in assets			
Investments - net		(1,295,762)	432,466
Receivable against sale of investments		61,422	(61,422)
Dividend and profit receivable		(8,926)	3,722
Deposits, prepayments and other receivable		(4,627)	(1,302)
		<u>(1,247,893)</u>	<u>373,464</u>
Increase / (decrease) in liabilities			
Payable to the Management Company		3,717	289
Fee payable to the Central Depository Company of Pakistan Limited - Trustee		59	96
Payable to the Securities and Exchange Commission of Pakistan		715	336
Payable against purchase of investments		14,579	(34,394)
Accrued expenses and other liabilities		2,740	5,802
		<u>21,810</u>	<u>(27,871)</u>
Net cash generated from / (used in) operating activities		<u>(1,091,085)</u>	<u>560,753</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		2,618,289	1,127,289
Payments on redemption of units		(2,031,266)	(680,276)
Distributions paid		(19)	(13)
Net cash generated from financing activities		<u>587,004</u>	<u>447,000</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>(504,081)</u>	<u>1,007,753</u>
Cash and cash equivalents at the beginning of the year		1,063,978	56,225
Cash and cash equivalents at the end of the year	4	<u><u>559,897</u></u>	<u><u>1,063,978</u></u>

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

Chief Executive

For NBP Fullerton Asset Management Limited
(Management Company)

Director

NAFA ASSET ALLOCATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 7th Floor, Clifton Diamond Building, Block No.4, Scheme No.5, Clifton, Karachi. The Management Company is a member of the 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 categorised as an Open-End "Asset Allocation Scheme" as per the criteria laid down by the SECP for categorisation 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 PACRA has assigned Management Quality Rating of 'AM2 (stable outlook)' to the Management Company as at December 31, 2013 and Fund Performance Rating MFR 4-Star (PACRA) (based on one year weighted average ranking), MFR 5-Star (PACRA) (based on three years weighted average ranking) as at December 31, 2013.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning July 1, 2013 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

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

2.4 Critical accounting estimates and judgments

The preparation of the 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 historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

NAFA ASSET ALLOCATION FUND

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 Presentation Currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation 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 and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

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:

NAFA ASSET ALLOCATION FUND

- 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 SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009, circular no.33 of 2012 dated October 24, 2012 and circular no. 35 of 2012 dated November 26, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

- Basis of valuation of government securities

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

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

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

b) Loans and receivables

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

Gain or loss is also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, 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, circular no. 33 of 2012 dated October 24, 2012 and circular no. 35 of 2012 dated November 26, 2012, issued by the SECP. Impairment losses recognised on debt securities can be reversed through the 'Income Statement'.

As allowed under circular no. 33 of 2012 dated October 24, 2012, 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.

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.

NAFA ASSET ALLOCATION FUND

3.2.6 Derecognition

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

3.3 Financial liabilities

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

3.4 Offsetting of financial assets and liabilities

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

3.5 Preliminary expenses and floatation costs

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

3.6 Provisions

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

3.7 Taxation

Current

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.

Deferred

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.

3.8 Issue and redemption of units

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

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.

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created.

NAFA ASSET ALLOCATION FUND

Element of income / (loss) and capital gains / (losses) included in 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. This amount so determined is taken directly to the distribution statement.

3.10 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.

3.11 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.

3.12 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.13 Earnings per unit

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

3.14 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 on equity securities is recognised when the right to receive the dividend is established.

-Income on Market 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 appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' is included in the income statement in the period in which they arise.

	Note	2014	2013
Rupees in '000			
4 CASH AND BALANCES WITH BANKS			
Savings accounts	4.1	545,336	1,061,936
Current accounts		5,856	2,042
Pay orders in hand		8,705	-
		<u>559,897</u>	<u>1,063,978</u>

4.1 These accounts carry mark-up at rates ranging from 9.5% to 10.1% (2013 : 6.0% to 11.8%) per annum.

5 INVESTMENTS

Note

Financial assets at fair value through profit or loss:

- Listed equity securities	5.1	1,255,479	6,422
- Term finance certificates	5.2	12,079	26,443
- Pakistan Investment Bonds	5.3	105,198	-
- Government securities - (Market Treasury Bills)	5.4	-	-
		<u>1,372,756</u>	<u>32,865</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, except for Thal Limited which have a face value of Rs. 5 and K-Electric which have a face value of Rs. 3.5.

Name of the investee company	Number of shares					Market value as at June 30, 2014	Market value as percentage of		
	As at July 01, 2013	Purchases during the year	Bonus / Right Issue	Sales during the year	As at June 30, 2014		Net assets	Market value of total investments	Paid up capital of the investee
						Rupees in '000	-----	%	-----
Oil & Gas									
National Refinery	-	103,600	-	103,600	-	-	-	-	-
Oil and Gas Development Company Limited	-	755,500	-	601,300	154,200	40,289	2.10	2.93	0.00
Pakistan Oilfields Limited	-	594,700	-	474,800	119,900	68,859	3.59	5.02	0.21
Pakistan Petroleum Limited	-	1,283,800	28,260	1,077,000	235,060	52,733	2.75	3.84	0.01
Pakistan State Oil Company Limited	-	865,700	35,320	760,700	140,320	54,563	2.85	3.97	0.05
Chemicals									
Engro Corporation Limited	-	1,885,500	-	1,449,100	436,400	77,902	4.06	5.67	0.08
Fatima Fertilizer Company Limited	-	1,980,500	-	1,975,500	5,000	145	0.01	0.01	0.00
Engro Fertilizers Limited	-	834,000	10,150	844,000	150	9	0.00	0.00	0.00
Industrial Engineering									
Millat Tractors Limited	40	-	4	44	-	-	-	-	-
Construction and Materials									
Cherat Cement Company Limited	110,000	594,000	-	704,000	-	-	-	-	-
D.G. Khan Cement Company Limited	-	2,567,500	-	2,202,000	365,500	32,149	1.68	2.34	0.08
Fauji Cement Company Limited	-	1,865,000	-	1,865,000	-	-	-	-	-
Kohat Cement Company Limited	-	868,500	15,900	884,400	-	-	-	-	-
Lucky Cement Limited	-	536,600	-	379,300	157,300	64,540	3.37	4.70	0.05
Akzo Nobel Pakistan Limited	-	20,000	-	-	20,000	3,379	0.18	0.25	0.04
Maple Leaf Cement Factory Limited	-	5,894,500	-	4,211,500	1,683,000	50,574	2.64	3.68	0.32
Pioneer Cement Limited	-	2,343,000	-	1,063,000	1,280,000	59,725	3.12	4.35	0.56
General Industries									
Thal Limited	-	228,800	-	36,900	191,900	39,798	2.08	2.90	0.47
Household Goods									
Tariq Glass Limited	-	52,000	-	52,000	-	-	-	-	-
Industrial Transportation									
Pakistan National Shipping Corporation	-	215,500	-	-	215,500	15,326	0.80	1.12	0.16
Personal Goods									
Nishat Chunian Limited	-	1,673,000	-	1,673,000	-	-	-	-	-
Nishat Mills Limited	-	2,403,400	-	2,086,400	317,000	35,479	1.85	2.58	0.09
Electricity									
The Hub Power Company Limited	-	3,183,500	-	2,557,000	626,500	36,801	1.92	2.68	0.05
Kot Addu Power Company Limited	-	2,425,000	-	1,565,000	860,000	50,774	2.65	3.70	0.10
Nishat Chunian Power Limited	-	162,000	-	162,000	-	-	-	-	-
Nishat Power Limited	-	878,000	-	878,000	-	-	-	-	-
K-Electric Limited	-	2,215,000	-	-	2,215,000	18,805	0.98	1.37	0.02
Pakgen Power Limited	-	870,000	-	869,000	1,000	18	-	-	0.00
Banks									
Allied Bank Limited	-	50,000	5,000	54,000	1,000	137	0.01	0.01	0.00
Bank Islami Pakistan Limited	-	117,500	-	117,500	-	-	-	-	-
Habib Bank Limited	-	50,000	-	50,000	-	-	-	-	-
Bank Al-Falah Limited	-	9,514,000	-	7,486,500	2,027,500	55,756	2.91	4.06	0.15
Bank Al-Habib Limited	-	6,764,500	129,650	5,379,500	1,514,650	68,129	3.55	4.96	0.14
MCB Bank Limited	-	398,000	-	232,500	165,500	49,874	2.60	3.63	0.01
National Bank of Pakistan	-	2,110,000	-	513,000	1,597,000	99,381	5.18	7.24	0.08
United Bank Limited	-	1,558,203	-	840,000	718,203	121,060	6.32	8.82	0.06
Faysal Bank Limited	-	1,540,000	-	1,490,000	50,000	808	0.04	0.06	0.00
Habib Metropolitan Bank Limited	-	640,000	-	-	640,000	20,602	1.07	1.50	0.06
Paper and Board									
Century Paper and Board Mills Ltd	-	278,000	-	-	278,000	14,818	0.77	1.08	0.19
Automobile and Parts									
Honda Atlas Cars (Pakistan) Limited	-	633,500	-	78,500	555,000	51,665	2.70	3.76	0.39
Pak Suzuki Motor Company Limited	-	95,500	-	-	95,500	26,156	1.36	1.91	0.12
Technology / Communication									
Pakistan Telecommunication Company Limited	-	7,069,500	-	5,792,500	1,277,000	32,525	1.70	2.37	0.03
TPL Trakker Limited	-	1,532,000	-	-	1,532,000	12,700	0.66	0.93	0.71
						1,255,479	65.50	91.44	
Total as at June 30, 2014						1,255,479			
Carrying Value as at June 30, 2014						1,211,310			

NAFA ASSET ALLOCATION FUND

- 5.11 The above investment includes shares having a market value (in aggregate) amounting to Rs 87.878 million (2013: Nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the Securities & Exchange Commission of Pakistan. The details of shares which have been pledged are as follows:

5.2 Term Finance Certificates

Name of the investee company	Number of certificates				Market value as at June 30, 2014	Investment as a percentage of		
	As at July 01, 2013	Purchases during the year	Sales during the year	As at June 30, 2014		Net assets	Market value of total investments	Issue size
Rupees in '000						----- % -----		
Listed*								
Allied Bank Limited	5,000	-	-	5,000	6,246	0.33	0.45	1.00
United Bank Limited	3,000	-	-	3,000	2,499	0.13	0.18	0.75
					-			
Unlisted*								
Pakistan Mobile Communication	-	667	-	667	3,334	0.17	0.24	0.12
Total as at June 30, 2014					12,079	0.63	0.87	1.87
Carrying Value as at June 30, 2014					12,316			

* Having face value Rs 5,000 each

** TFCs were pledged in accordance with Circular No. 11 dated October 23, 2007 issued by Securities and Exchange Commission of Pakistan having market value of Rs. 2.499 million (2013: Rs. 22.661 million).

5.3 Pakistan Investment Bonds

Issue date	Tenor	Face value				Market value as at June 30, 2014	Investment as a percentage of	
		As at July 1, 2013	Purchases during the year	Sales during the year	As at June 30, 2014		Net assets	Market value of total investments
Rupees in '000						----- % -----		
PIB								
18 July, 2013	3 years	-	525,000	525,000	-	-	-	-
18 July, 2013	5 years	-	75,000	-	75,000	72,615	0.04	5.29
19 July, 2012	10 years	-	75,000	40,850	34,150	32,583	0.02	2.37
Total as at June 30, 2013					109,150	105,198	0.06	7.66
Carrying Value as at June 30, 2014					105,001			

* Having face value Rs 5,000 each

5.4 Government Securities - Market Treasury Bills

Issue date	Tenor	Face value				Market value as at June 30, 2014	Investment as a percentage of	
		As at July 1, 2013	Purchases during the year	Sales during the year	As at June 30, 2014		Net assets	Market value of total investments
Rupees in '000						----- % -----		
September 6, 2012	12 months	-	500,000	500,000	-	-	-	-
October 4, 2012	12 months	-	500,000	500,000	-	-	-	-
November 1, 2012	12 months	-	200,000	200,000	-	-	-	-
January 24, 2013	6 months	-	447,000	447,000	-	-	-	-
September 19, 2013	3 months	-	479,000	479,000	-	-	-	-
October 3, 2013	3 months	-	300,000	300,000	-	-	-	-
November 28, 2013	3 months	-	310,000	310,000	-	-	-	-
February 20, 2014	3 months	-	310,000	310,000	-	-	-	-
Total as at June 30, 2014					-	-	-	-
Carrying Value as at June 30, 2014					-	-	-	-

5.4 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	1,247	12.07%	6-Dec-06	8 Years	Unsecured	AA
United Bank Limited	3,000	832	11.87%	8-Sep-06	8 Years	Unsecured	AA
Unlisted term finance certificates							
Pakistan Mobile Communication Limited	667	4,998	12.17%	17-Sep-13	5 Years	Unsecured	AA-

NAFA ASSET ALLOCATION FUND

	Note	2014	2013
(Rupees in '000)			
5.5 Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net			
Market value of investments		1,372,756	32,865
Less: carrying value of investments		(1,328,627)	(32,290)
		<u>44,129</u>	<u>575</u>
6 DIVIDEND AND PROFIT RECEIVABLE			
Profit receivable on saving deposits		330	-
Dividend receivable		3,517	478
Profit receivable on Pakistan Investment Bonds		5,705	-
Profit receivable on Term finance certificates		260	408
		<u>9,812</u>	<u>886</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
Advance against book building of equity shares	7.1	5,681	1,500
Prepayments		1	1
Receivable against transfer of units		446	-
		<u>8,978</u>	<u>4,351</u>
7.1 This represents 25% advance for the purchase of 108,200 equity shares of Pakistan Petroleum Limited.			
8 PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	2014	2013
(Rupees in '000)			
Opening balance		400	628
Less: amortisation during the year		(201)	(228)
Closing balance		<u>199</u>	<u>400</u>
9 PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	507	1,870
Sindh Sales Tax on the Management Company's remuneration		94	299
Federal excise duty on the Management Company's remuneration	9.2	4,449	181
Federal excise duty on Sales load		1,034	-
Sindh Sales Tax payable on Sales load		183	-
Front-end load payable		986	1,186
		<u>7,253</u>	<u>3,536</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 2 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 As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a Constitutional Petition filed in the Honourable Sindh High Court (SHC) during September 2013 challenging the levy of FED. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending.

NAFA ASSET ALLOCATION FUND

Pending decision of the SHC, the Fund is not making payments for FED from August 1, 2013. However, the Fund, as a matter of abundant caution, has made full provision in respect of FED from August 1, 2013, amounting to Rs 4.449 million. Had the charge for the period from June 13, 2013 to June 30, 2014, amounting to Rs. 4.986 million, not been made the net asset value per unit of the Fund as at June 30, 2014 would have been higher by Re 0.0312 per unit.

	Note	2014	2013
		Rupees in '000	
10			
PAYABLE TO THE TRUSTEE	10.1	<u>235</u>	<u>176</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.

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

Net Assets	Tariff per annum
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	2014	2013
		Rupees in '000	
11			
PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>1,427</u>	<u>712</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	2014	2013
		Rupees in '000	
12			
ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		358	315
Provision for Workers' Welfare Fund	15	10,014	6,362
Brokerage payable		288	1,266
Settlement charges		13	98
Printing charges		125	100
Others		363	280
		<u>11,161</u>	<u>8,421</u>

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments outstanding as at June 30, 2014.

14 AUDITORS' REMUNERATION

Annual audit fee and other certifications	322	280
Half yearly review fee	128	112
Out of pocket expenses	65	61
	<u>515</u>	<u>453</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 connection, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

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 the 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, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgement, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 10.014 million (including Rs 3,652 million for the current year) in these financial statements. Had the provision not been made the net asset value per unit of the Fund as at June 30, 2014 would have been higher by Re 0.0627 per unit.

16 TAXATION

The income of the Fund is exempt from income tax as per clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management has already distributed 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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.

17 NUMBER OF UNITS IN ISSUE

2014 2013
Number Of Units

Total units in issue at the beginning of the year	87,321,417	42,872,643
Add: units issued during the year	215,044,249	94,740,685
Add: bonus units issued during the year	25,742,587	6,934,498
Less: units redeemed during the year	(168,416,773)	(57,226,409)
Total units in issue at the end of the year	<u>159,691,480</u>	<u>87,321,417</u>

18 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2014-----

	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
Financial assets				
Cash and balances with banks	559,897	-	-	559,897
Investments	-	1,372,756	-	1,372,756
Dividend and profit receivable	9,812	-	-	9,812
Advances, deposits and other receivables	8,977	-	-	8,977
	<u>578,686</u>	<u>1,372,756</u>	<u>-</u>	<u>1,951,442</u>

-----As at June 30, 2014-----

	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
Financial liabilities			
Payable to the Management Company	-	7,253	7,253
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	235	235
Payable against purchase of investments	-	14,579	14,579
Accrued expenses and other liabilities	-	1,147	1,147
	<u>-</u>	<u>23,214</u>	<u>23,214</u>

------(Rupees in '000)-----

NAFA ASSET ALLOCATION FUND

-----As at June 30, 2013-----

	Loans and receivables	Financial assets at fair value through	Available for sale	Total
------(Rupees in '000)-----				
Financial assets				
Cash and balances with banks	1,063,978	-	-	1,063,978
Investments	-	32,865	-	32,865
Dividend and profit receivable	886	-	-	886
Advances, deposits and other receivables	4,350	-	-	4,350
Receivable against sale of investments	61,422	-	-	61,422
	<u>1,130,636</u>	<u>32,865</u>	<u>-</u>	<u>1,163,501</u>

-----As at June 30, 2013-----

	Financial liabilities at fair value through	Other financial liabilities	Total
------(Rupees in '000)-----			
Financial liabilities			
Payable to the Management Company	-	3,536	3,536
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	176	176
Accrued expenses and other liabilities	-	2,059	2,059
	<u>-</u>	<u>5,771</u>	<u>5,771</u>

19 TRANSACTIONS WITH CONNECTED PERSONS

19.1 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, entities having common directorship with the Management Company and directors and officers of the Management Company.

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

19.3 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.

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

19.5 Details of transactions with connected persons are as follows:

	2014	2013
	Rupees in 000	

NBP Fullerton Asset Management Limited - Management Company

Remuneration for the year	30,032	14,987
Sindh Sales Tax on remuneration of Management Company	5,603	2,398
Federal Excise Duty on remuneration of Management Company	4,805	181
Sales Load paid to Management Company	16,034	6,601
Sales Tax paid on Sales Load	1,599	-
Federal Excise Duty on Sales Load	1,034	-

NAFA Employees Provident Fund

Issue / transfer in of 274,147 units (2013: 737,246 units)	3,357	8,408
Redemption / transfer out of 225,626 units (2013 :171,842 units)	2,689	1,928
Issue of 146,776 bonus units (2013: 17,336 bonus units)	-	-

Alexandra Fund Management Pte. Limited - Sponsor

Issue of Nil units (2013: Nil units)		
Issue of 3,537,134 bonus units (2013 : 2,754,595 bonus units)	-	-
Redemption / transfer out of 25,848,886 units (2013: Nil units)	304,169	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the year	2,502	1,483
CDS charges	312	399

NAFA ASSET ALLOCATION FUND

	2014	2013
	(Rupees in '000)	
Employees of the Management Company		
Issue / transfer in of 1,909,497 units (2013: 2,139,698 units)	22,940	25,827
Redemption / transfer out of 1,970,999 units (2013 : 1,963,816 units)	23,541	24,010
Issue of 37,628 bonus units (2013: 28,888 bonus units)	-	-
Taurus Securities Limited		
Brokerage expense	452	360
Chief Executive		
Issue / transfer in of Nil units (2013: 111,765 units)	-	1,300
Redemption / transfer out of Nil units (2013 : 112,403 units)	-	1,352
Issue of Nil bonus units (2013 : 638 bonus units)	-	-
Muhammad Murtaza Ali - Company Secretary - CFO		
Issue / transfer in of 42,852 units (2013: 184,671 units)	500	2,253
Redemption / transfer out of 42,896 units (2013 :148,716 units)	530	1,816
Issue of 9,460 bonus units (2013 : 1,997 bonus units)	-	-
National Bank of Pakistan		
Purchase of Treasury Bills	738,447	228,975
Sale of Treasury Bills	499,645	49,886
Purchase of PIBs	-	54,308
Sale of PIBs	-	54,325
NAFA Government Securities Liquid Fund		
Sale of Treasury Bills	-	38,910
Summit Bank Limited		
Bank Profit	74	42
NAFA Financial Sector Income Fund		
Sale of Short-Term Islamic Sukuks	-	38,430
NAFA Income Opportunity Fund		
Sale of Treasury Bills	39,851	-
NAFA Savings Plus Fund		
Sale of Treasury Bills	19,925	-
International Industries Limited Employees' Provident Fund		
Issue / transfer in of 786,288 units (2013: 3,784,504 units)	9,609	42,966
Redemption / transfer out of 791,153 units (2013 : 987,652 units)	9,670	11,133
Issue of 703,550 bonus units (2013 : 86,017 units)	-	-
International Industries Limited Employees Gratuity Fund		
Issue / transfer in of 8,273,753 units (2013: Nil units)	104,477	-
Redemption / transfer out of 1,007,265 units (2013 : Nil units)	12,283	-
Issue of 897,356 bonus units (2013 : Nil units)	-	-
International Steels Limited Employees Provident Fund		
Issue / transfer in of 256,066 units (2013: 1,045,707 units)	3,131	11,825
Redemption / transfer out of 169,676 units (2013 : 475, 757units)	2,078	5,390
Issue of 148,687 bonus units: 2013: 18,134 units	-	-
International Steels Limited Employees Gratuity Fund		
Issue / transfer in of 841,011 units (2013: Nil units)	10,553	-
Redemption / transfer out of 69,536 units (2013 : Nil units)	880	-
Issue of 72,032 bonus units: 2013: Nil units	-	-
Aamir Sattar -- Director		
Issue / transfer in 79,422 units (2013: Nil units)	1,000	-
Issue of 3,029 bonus units (2013: Nil units)	-	-

NAFA ASSET ALLOCATION FUND

	2014	2013
	(Rupees in '000)	
Greaves Private Limited Provident Fund Trust		
Issue / transfer in of Nil units (2013: 445,808 units)	-	5,000
Redemption / transfer out of Nil units (2013 : 907,231 units)	-	10,257
Issue of Nil bonus units (2013 : 42,941 units)	-	451
Greaves Private Limited Staff Gratuity Fund		
Issue / transfer in of Nil units (2013: 445.808 units)	-	5,000
Redemption / transfer out of Nil units (2013 : 445,808 units)	-	5,047
<u>Transactions in Shares of Related Parties</u>		
National Bank of Pakistan		
Purchases of 2,110,000 (2013: 569,500) shares	123,155	26,911
Sale of 513,000 (2013: 790.290) shares	25,726	37,455
Issue of Nil (2013: 690) bonus shares		
19.6 Amounts outstanding as at year		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	507	1,870
Sindh Sales Tax on remuneration of Management Company	94	299
FED on remuneration of Management Company	4,449	181
Sindh Sales Tax on Sale Load payable to Management Company	183	-
FED on Sale Load payable to Management Company	1,034	-
Sale load payable to Management Company	986	1,186
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	235	176
CDS charges payable	13	98
Security deposit	100	100
National Bank of Pakistan		
Balance in current account	3,995	2,042
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the sponsor in the Fund Nil units (2013: 22,311,751 units)	-	294,109
Employees of the Management Company		
Investment held in the Fund 117,598 units (2013: 329,004 units)	1,412	4,337
Taurus Securities Limited		
Brokerage payable	16	136
NAFA Employees Provident Fund		
Investment held in the Fund 778,038 units (2013: 582,741 units)	9,339	7,682
Muhammad Murtaza Ali - Company Secretary - CFO		
Investment held in the Fund 47,369 units (2013: 37,952 units)	569	500
Aamir Sattar - Director		
Investment held in the Fund 82,451 units (2013: Nil units)	990	-
International Industries Limited Employees Provident Fund		
Investment held in the Fund 3,581,555 units (2013: 2,882,869 units)	42,992	38,001
International Industries Limited Employees Gratuity Fund		
Investment held in the Fund 8,163,844 units (2013: Nil units)	97,997	-
International Steels Limited - Employees Provident Fund		
Investment held in the Fund 823,161 units (2013: 588,084 units)	9,881	7,752
International Steels Limited - Employees Gratuity Fund		
Investment held in the Fund 843,507 units (2013: Nil units)	10,125	-
Summit Bank Limited		
Bank Balance	3792	3037

NAFA ASSET ALLOCATION FUND

20 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	26
2	Sajjad Anwar	CFA / MBA Finance	14
3	Muhammad Ali Bhaba	CFA / FRM	19
4	Syed Suleman Akhter	CFA	14
5	Asim Wahab Khan	MBA / CFA	8
6	Muhammad Imran*	ACCA / CFA	8

*Mr. Muhammad Imran is the Fund Manager of the fund.

21 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION CHARGED DURING THE YEAR

Sr. No.	Particulars	2014 Percentage
1	Taurus Securities Limited	
2	Topline Securities Private Limited	6.86
3	KASB Securities Limited	6.51
4	Arif Habib Securities Limited	6.29
5	AKD Securities Limited	5.62
6	J.S. Global Capital Limited	5.52
7	Optimus Capital Management Limited	5.47
8	Concordaia Securities Private Limited	5.00
9	Elixir Securities Pakistan Private Limited	4.94
10	Foundation Securities Limited	4.90
		4.83
Sr. No.	Particulars	2013 Percentage
1	Taurus Securities Limited	
2	AKD Securities Limited	9.63
3	J.S. Global Capital Limited	7.81
4	KASB Securities Limited	6.46
5	Arif Habib Securities Limited	6.22
6	Foundation Securities Limited	6.03
7	Optimus Capital Management Limited	5.60
8	Fortune Securities Limited	5.55
9	Topline Securities Limited	5.49
10	Habib Metro Securities Limited	5.23
		4.73

22 DETAILS OF PATTERN OF UNIT HOLDING

-----June 30, 2014-----

Category	Number of unit holders	Investment amount	Percentage investment
(Rupees in '000)			
Individuals	1,144	812,321	42.38%
Banks / DFIs	1	150,932	7.87%
Associated companies and directors	1	990	0.05%
Insurance Companies	1	12,590	0.66%
Retirement funds	46	929,608	48.50%
Others	7	10,460	0.54%
	1,200	1,916,901	100.00%

* This includes investment amount of Rs. 170.334 million by related parties.

-----June 30, 2013-----

Category	Number of unit holders	Investment amount	Percentage investment
(Rupees in '000)			
Individuals	793	547,226	47.54%
Banks / DFIs	-	-	0.00%
Associated companies and directors	2	301,791	26.22%
Insurance Companies	1	4,656	0.40%
Retirement funds	24	218,265	18.96%
Others	4	79,119	6.88%
	824	1,151,057	100.00%

NAFA ASSET ALLOCATION FUND

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 42nd, 43rd, 44th, 45th, 46th and 47th Board meetings were held on July 11, 2013, August 27, 2013, October 30, 2013, February 13, 2014, April 30, 2014 and June 26, 2014 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. Wah Geok Sum	6	2	4	43rd, 44th, 46th and 47th meeting
Mr. Koh Boon San	6	6	-	
Mr. Kamal Chinoy	6	5	1	42nd meeting
Mr. Shehryar Faruque	6	3	3	42nd, 44th & 45th meeting
Dr. Amjad Waheed	6	6	-	
Mr. Asif Hassan*	1	-	1	42nd meeting
Mr. Amir Shehzad**	1	-	1	42nd meeting
Mr. Aamir Sattar***	5	5	-	
Mr. Abdul Hadi Palekar****	5	4	1	45th meeting
Mr. Nausherwan Adil*****	4	2	2	44th & 46th meeting
Mr. Khalid Mahmood*****	2	2	-	

* Mr. Asif Hassan retired in EOGM held on August 7, 2013.

** Mr. Amir Shehzad retired in EOGM held on August 7, 2013.

*** Mr. Aamir Sattar elected in EOGM held on August 7, 2013.

**** Mr. Abdul Hadi Palekar elected in EOGM held on August 7, 2013.

***** Mr. Nausherwan Adil was co-opted on the Board with effect from October 10, 2013.

***** Mr. Khalid Mahmood retired from the Board with effect from October 10, 2013.

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 the 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 Pakistani Rupees.

24.1.2 Yield / Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

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, 2014 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 0.0219 million (2013: Rs.0.132 million).

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, 2014 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, 2014, the Fund holds Pakistan Investment Bonds (PIBs) 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 Financial Markets Association of Pakistan on June 30, 2014, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 4.018 million (2013: Nil). In case of 100 basis points decrease in rates announced by Financial Markets Association on June 30, 2014, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 3.799 (2013: Nil).

NAFA ASSET ALLOCATION FUND

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

-----June 30, 2014-----

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

Cash and balances with banks	9.50 - 10.10%	559,897	545,336	-	-	14,561
Investments	11.50 - 12.00%	1,372,756	117,277	-	-	1,255,479
Dividend and profit receivable		9,812				9,812
Advances, deposits and other receivables		8,977				8,977
Receivable against sale of investments		-				-
		1,951,442	662,613	-	-	1,288,829

Financial liabilities

Payable to the Management Company		7,253	-	-	-	7,253
Payable to the Central Depository Company of Pakistan Limited - Trustee		235	-	-	-	235
Payable against purchase of investments		14,579	-	-	-	14,579
Payable against redemption of units		86	-	-	-	86
Accrued expenses and other liabilities		1,147	-	-	-	1,147
		23,300	-	-	-	23,300

On-balance sheet gap (a)

1,928,142 662,613 - - 1,265,529

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap (b)

1,928,142 662,613 - - 1,265,529

Total interest rate sensitivity gap (a+b)

3,856,284 1,325,226 - - 2,531,058

Cumulative interest rate sensitivity gap

3,856,284 5,181,510 5,181,510

-----June 30, 2013-----

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

Cash and balances with banks	6.00 - 11.80%	1,063,978	1,061,936	-	-	2,042
Investments	13.64 - 13.93%	32,865	26,443	-	-	6,422
Dividend and profit receivable		886				886
Advances, deposits and other receivables		4,350				4,350
Receivable against sale of investments		61,422				61,422
		1,163,501	1,088,379	-	-	75,122

Financial liabilities

Payable to the Management Company		3,536	-	-	-	3,536
Payable to the Central Depository Company of Pakistan Limited - Trustee		176	-	-	-	176
Accrued expenses and other liabilities		2,059	-	-	-	2,059
		5,771	-	-	-	5,771

On-balance sheet gap

1,157,730 1,088,379 - - 69,351

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap (b)

1,157,730 1,088,379 - - 69,351

Total interest rate sensitivity gap (a+b)

2,315,460 2,176,758 - - 138,702

Cumulative interest rate sensitivity gap

2,315,460 4,492,218 4,492,218

NAFA ASSET ALLOCATION FUND

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, 2014, net income for the year would increase / decrease by Rs 13.772 million (2013: Rs 0.043 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, 2014 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

Credit risk

24.2 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

	2014	2013
	Percentage	
A1+ / A-1+	99.32	99.71
A3	0.68	0.29
	<u>100</u>	<u>100</u>

Term finance certificates by rating category

AA	72.4	100
AA-	27.6	-
	<u>100</u>	<u>100</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2014 is the carrying amount of the financial 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.

NAFA ASSET ALLOCATION FUND

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.

24.2.3 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. However, no borrowing was obtained by the Fund during the current year.

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.

	----- June 30, 2014 -----			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees in '000) -----			
Financial liabilities				
Payable to the Management Company	7,253	7,253	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	235	235	-	-
Payable against purchase of investments	14,579	14,579	-	-
Payable against redemption of units	86	86	-	-
Accrued expenses and other liabilities	1,147	1,147	-	-
	<u>23,300</u>	<u>23,300</u>	<u>-</u>	<u>-</u>
	----- June 30, 2013 -----			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees in '000) -----			
Financial liabilities				
Payable to the Management Company	3,536	3,536	-	-
Fee payable to Central Depository Company of Pakistan Limited - Trustee			-	-
Payable against purchase of investments	176	176	-	-
Accrued expenses and other liabilities	2,059	2,059	-	-
	<u>5,771</u>	<u>5,771</u>	<u>-</u>	<u>-</u>

NAFA ASSET ALLOCATION FUND

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 has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

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 to meet unexpected losses or opportunities.

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)

Investments carried at fair value are categorised as follows:

	----- As at June 30, 2014 -----			
	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	1,255,479	-	-	1,255,479
Investment in Term finance certificates - listed	-	8,745	3,334	12,079
Investment in Government securities	-	105,198	-	105,198
	----- As at June 30, 2013 -----			
	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	6,422	-	-	6,422
Investment in Term finance certificates - listed	-	26,443	-	26,443

NAFA ASSET ALLOCATION FUND

27 CORRESPONDING FIGURES

Corresponding figure 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 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 16, 2014.

29 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, 2014	For the year ended June 30, 2013	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
Net assets (Rs. '000')	1,916,901	1,151,057	488,550	282,722
Net Income (Rs. '000')	178,926	215,507	52,415	43,845
Net Asset Value per units (Rs.)	12.0038	13.1818	11.3954	11.3204
Offer price per unit	12.4884	13.4454	11.6233	10.4758
Redemption price per unit	12.0038	13.1818	11.3954	10.2704
Highest offer price per unit (Rs.)	12.1460	10.5695	12.1411	10.5652
Lowest offer price per unit (Rs.)	13.7544	10.2678	13.4847	10.0665
Highest redemption price per unit (Rs.)	12.1360	10.1231	11.8980	9.9246
Lowest redemption price per unit (Rs.)	11.6023	9.6665	11.3748	9.4770
Fiscal Year Opening Ex Nav	10.5614	9.9885	9.9610	9.477
Total return of the fund	13.66%	31.97%	14.40%	19.45%
Capital growth	5.09%	9.14%	-0.04%	2.04%
Income distribution as % of Ex-NAV	8.57%	22.83%	14.44%	17.41%
Income distribution as % of Par Value	9.05%	22.80%	14.38%	16.50%
Interim distribution per unit	0.9052	0.4126	0.3595	0.6000
Final distribution per unit	-	1.8674	1.0784	1.0500
Distribution dates				
Interim	13-Feb-14 ,30-Apr-14 & 26-Jun-2014	26-Apr-13 & 26-Feb-13	17-Apr-12	18-Feb-11 & 19-Apr-11
Final	-	11-Jul-13	9-Jul-12	4-Jul-11
Average annual return (launch date 21-08-2010)				
(Since inception to June 30, 2014)	20.42%			
(Since inception to June 30, 2013)		22.87%		
(Since inception to June 30, 2012)			18.25%	
(Since inception to June 30, 2011)				22.61%
Portfolio Composition (Please see Fund Manager Report)				
"Past performance is not necessarily indicative of future performance and that unit prices and investment return				



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