

NAFA STOCK FUND

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 STOCK FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Syed Ahmed Iqbal Ashraf	Director
Mr. Wah Geok Sum	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Patrick Pang Chin Hwang	Chairman
Mr. Shehryar Faruque	Member
Syed Ahmed Iqbal Ashraf	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
Summit Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Deutsche Bank
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (PAK) Limited
The Bank of Punjab
United Bank Limited

NAFA STOCK FUND

Auditors

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

Legal Advisor

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

Head Office:

9th Floor, Adamjee House,
I.I. Chundrigar Road,
Karachi

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

NBP Corporate Branch
3rd Floor, Park Lane Tower, Near Shahjahan Banquet Hall,
Officers Colony, Khanewal Road. Multan.
Tel : 92-061-6214070
Fax: 92-061-6214062
UAN: 92-061-111-111-632

NAFA STOCK FUND

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NAFA STOCK FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Fifth Annual Report of NAFA Stock Fund for the year ended June 30, 2011.

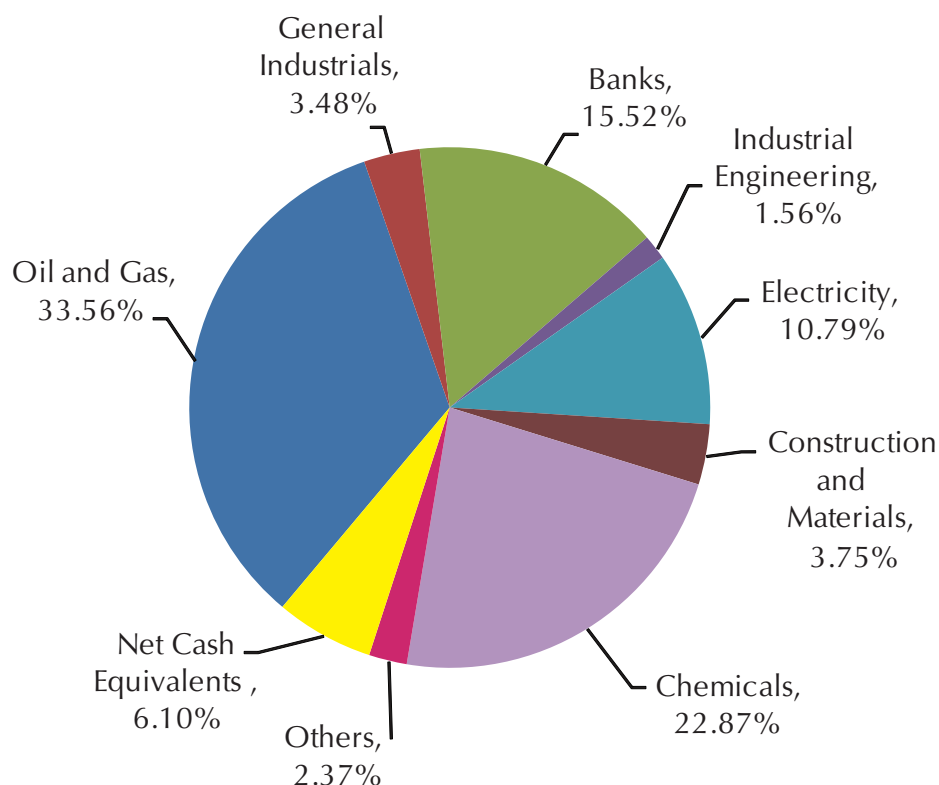
Fund's Performance

During the FY 2010-11, the stock market (KSE-30 Index) rose by 21.24% driven by healthy corporate earnings; improvement in external accounts; and positive foreign portfolio investment flows. Oil & Gas, Chemicals, Industrial Engineering and Electricity sectors outperformed the market. While Banking, Financial Services, Fixed Line Communications and Construction & Materials sectors lagged the market.

During the fiscal year, the return on NAFA Stock Fund was 28.37% as against its benchmark (KSE-30 Index) return of 21.24%. Thus an out-performance of 7.13% during the year. The key factor for out-performance of the Fund was that some of the holdings in the Refineries, Oil & Gas Exploration and Fertilizer sub-sectors performed better than the market. Furthermore, our under-weight stance in the key companies in Cement, Oil & Gas Marketing sub-sectors and Banking sector that lagged the market also contributed to the out-performance of the Fund. Since inception (January 22, 2007), NSF has risen by 13.18%, whereas the benchmark has declined by 13.49%.

NAFA Stock Fund has earned a total income of Rs.251.54 million during the year. After deducting total expenses of Rs.44.14 million, the net income is Rs.207.40 million. During the year, the unit price of NAFA Stock Fund has increased from Rs.5.0709 (distribution adjusted) on June 30, 2010 to Rs.6.5095 (Ex-Div) on June 30, 2011.

The asset allocation of NAFA Stock Fund as on June 30, 2011 is as follows:



NAFA STOCK FUND

Income Distribution

In addition to interim distribution of 6.00%, the Board of Directors of the Management Company has also approved a final distribution of 16.75%, translating into total distribution of 22.75% of opening ex-NAV (14.0320% of the par value). After final distribution, the net asset value per unit will be Rs.6.5095 on June 30, 2011.

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

Messrs A.F.Ferguson & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants for the year ending June 30, 2012.

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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the current financial year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 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 20 to these financial statements.

NAFA STOCK 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

Dr. Amjad Waheed, CFA
Chief Executive

Shahid Anwar Khan
Chairman

Date: September 29, 2011
Place: Karachi.

NAFA STOCK FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA STOCK 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

NAFA Stock Fund (the Fund), an open-end fund was established under a trust deed dated December 06, 2006, executed between NBP Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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 6, 2011

NAFA STOCK FUND

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

NAFA Stock Fund (the Fund) is an open end mutual fund and is listed at the Lahore Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of NAFA and other necessary personnel to manage its affairs.

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven non-executive directors including two independent directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred during the year in the Board of the Management Company due to resignation of Mr. Gerard Lee How Cheng and Mr. Qamar Hussain was filled by Mr. Choy Peng Wah and Syed Iqbal Ashraf on November 15, 2010 and March 25, 2011. Further, the casual vacancy due to resignation of Mr. Choy Peng Wah was filled by Mr. Wah Geok Sum on February 18, 2011.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.

NAFA STOCK FUND

6. The Board has developed a vision/mission statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars 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.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. 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 meeting were appropriately recorded and circulated.
9. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. All the members of Board are well aware of operations of the Fund and Management Company, therefore no orientation courses were arranged during the year.
11. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
12. Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 20 to the financial statements "Transactions with Connected Persons".
15. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
16. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.

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18. There exists an effective internal audit function within the Management Company. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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. We confirm that all other material principles contained in the Code have been complied with.

Dated: September 29, 2011
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA STOCK FUND

FUND MANAGER REPROT

NAFA Stock Fund is an open-ended equity fund

Investment Objective of the Fund

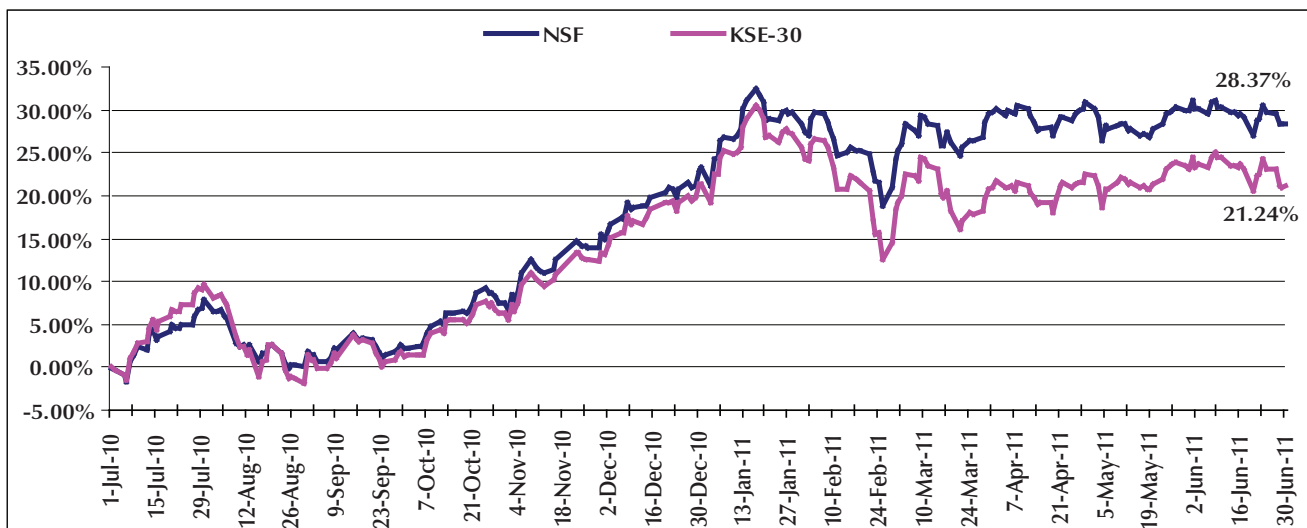
The objective of NAFA Stock Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund is moderate to high.

Benchmark

The Benchmark of the Fund is KSE-30 Index.

Fund performance review

During the year under review, NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 28.37% whereas the Benchmark, KSE-30 Index increased by 21.24%, thereby an out-performance of 7.13% was recorded. This out-performance is net of management fee and all other expenses. Thus, NSF has met its investment objective. NSF out-performed because its key holdings in the Oil & Gas and Chemicals sectors performed better than the market. On the other hand, under-weight stance in selected companies in the Oil & Gas, Banking and Construction & Materials sectors also contributed to the out-performance of the Fund. Since inception on January 22, 2007, the NAV of NSF has risen by 13.18% while that of the benchmark has declined by 13.49%, thus to date out-performance is 26.67%. The chart below shows the performance of NSF against the benchmark for the year:



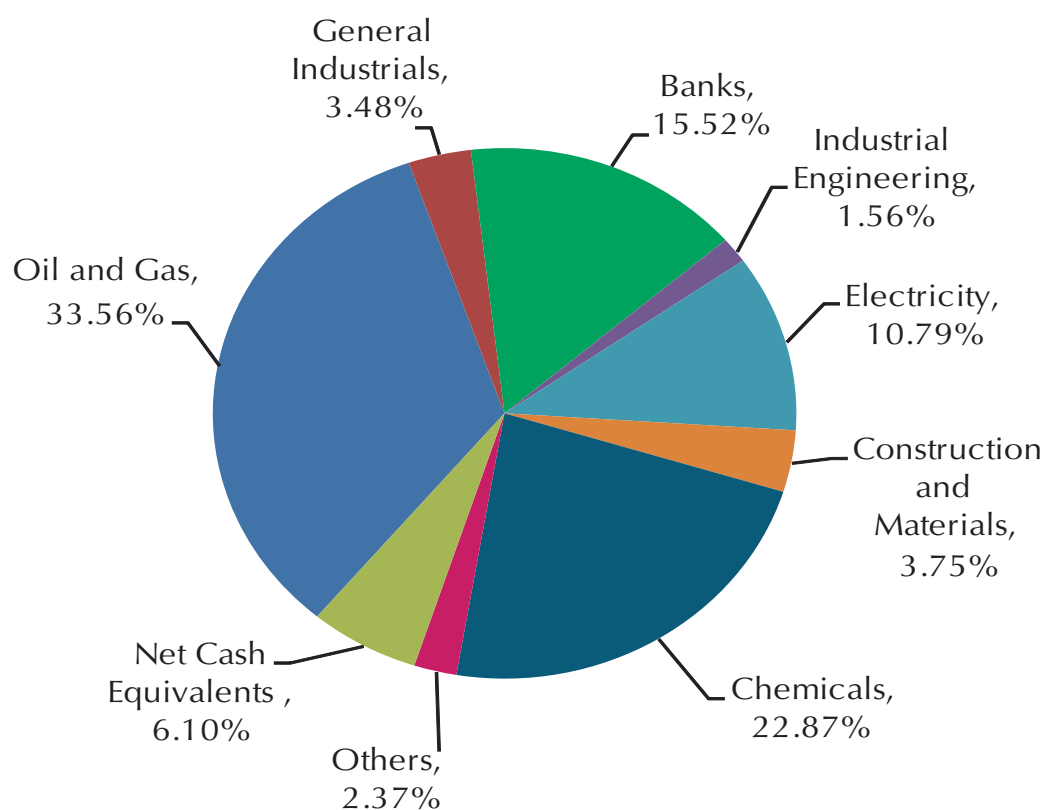
At the beginning of the year, NSF was almost fully invested in equities. During the year we reduced our weightage in equities based on the negative trends in the market. However, in the latter part of the year we increased the weightage of equities.

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Key factors responsible for the healthy performance of the stock market during the year include: (i) healthy corporate earnings (ii) positive foreign portfolio investment flows (iii) improvement in the external account (iv) stability on the domestic political front.

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. NAFA Stock Fund does not have any soft commission arrangement with any broker in the industry.

The asset allocation of the Fund as on June 30, 2011 is as follows



Income Distribution

Interim Periods / Quarters	Dividend % of Par Value	Cumulative Dividend Price Per Unit (Rs.)	Ex-Dividend Price Per Unit (Rs.)
Jun-11	10.33%	7.5427	6.5095
Mar-11	1.85%	7.6996	7.5146
Dec-11	1.85%	7.7273	7.5423

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Pattern of Unit Holders for NAFA STOCK FUND as on June 30, 2011

Size of Unit Holding (Units)		# of Unit Holders
1	1,000	208
1,001	5,000	427
5,001	10,000	194
10,001	50,000	310
50,001	100,000	63
100,001	500,000	59
500,001	1,000,000	6
1,000,001	5,000,000	9
5,000,001	10,000,000	2
10,000,001	100,000,000	3

Total: 1,281

NAFA STOCK 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 Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited** (the Management Company) for and on behalf of **NAFA Stock Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Sub-regulation (xiii a) of the Listing Regulation No. 35 requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

Chartered Accountants
Karachi
Dated: October 03, 2011

NAFA STOCK FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Stock Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: October 03, 2011
Karachi

NAFA STOCK FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2011

	Note	2011 -----Rupees in '000-----	2010 -----Rupees in '000-----
ASSETS			
Balances with banks	4	97,434	22,404
Investments	5	870,297	935,270
Receivable against sale of investments		9,291	-
Dividend and profit receivable	6	2,538	4,979
Deposits, prepayments and other receivables	7	2,740	3,740
Preliminary expenses and floatation costs	8	278	778
Total assets		982,578	967,171
LIABILITIES			
Payable to the Management Company	9	2,437	2,715
Payable to the Trustee	10	160	155
Payable to the Securities and Exchange Commission of Pakistan	11	907	1,209
Payable against purchase of investments		43,732	-
Payable against redemption of units		222	7
Accrued expenses and other liabilities	12	8,325	3,947
Total liabilities		55,783	8,033
NET ASSETS		926,795	959,138
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		926,795	959,138
CONTINGENCIES AND COMMITMENTS	13		
		-----Number of units-----	
Number of units in issue		122,872,467	135,386,588
		-----Rupees-----	
NET ASSET VALUE PER UNIT	14	7.5427	7.0844

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA STOCK FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 -----Rupees in '000-----	2010
INCOME			
Net gain on sale of investments		192,253	264,593
Dividend income		57,466	51,386
Profit on bank deposits		7,028	6,659
Income from government securities		3,223	-
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.1.1	19,227	(27,851)
Total income		<u>279,197</u>	<u>294,787</u>
EXPENSES			
Remuneration of the Management Company		28,672	38,192
Remuneration of the Trustee		1,909	2,268
Annual fee - Securities and Exchange Commission of Pakistan		908	1,209
Securities transaction cost		6,713	14,161
Settlement and bank charges		536	1,066
Amortisation of preliminary expenses and floatation costs	8	500	500
Auditors' remuneration	15	395	375
Fund rating fee		100	100
Legal and Professional charges		95	80
Annual listing fee		40	30
Printing charges		37	627
Total expenses		<u>39,905</u>	<u>58,608</u>
Net income from operating activities		<u>239,292</u>	<u>236,179</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed		(27,660)	(95,819)
Provision for Workers' Welfare Fund	16	(4,233)	(2,808)
Net Income for the year before taxation		<u>207,399</u>	<u>137,552</u>
Taxation	17	-	-
Net income for the year after taxation		<u>207,399</u>	<u>137,552</u>
Earnings per unit	18		

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA STOCK FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	-----Rupees in '000-----	
Net income for the year after taxation	207,399	137,552
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>207,399</u>	<u>137,552</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA STOCK FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	-----Rupees in '000-----	
Accumulated loss brought forward	(455,186)	(922,964)
Final distribution for the year ended June 30, 2010: 9.163% (2009: Nil) (Date of distribution: July 5, 2010)		
- Bonus units	(100,808)	-
- Cash distribution	(23,246)	-
Net income for the year	207,399	137,552
Interim distribution for the half-year ended December 31, 2010: 1.85% (2009: Nil) (Date of distribution: February 18, 2011)		
- Bonus units	(17,650)	-
- Cash distribution	(4,546)	-
Interim distribution for the quarter ended March 31, 2011: 1.85% (2010: Nil) (Date of distribution: April 19, 2011)		
- Bonus units	(18,242)	-
- Cash distribution	(4,546)	-
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that forms part of the unit holders' fund	128,849	330,226
	83,865	330,226
Accumulated loss carried forward	<u>(287,976)</u>	<u>(455,186)</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA STOCK FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	-----Rupees in '000-----	
Net assets at the beginning of the year	959,138	1,331,311
Issue of 103,034,551 units (2010: 76,736,037 units) including 21,111,191 bonus units (2010: Nil units)	602,899	557,199
Redemption of 115,548,672 units (2010: 160,730,990 units)	(837,963) (235,064)	(1,162,743) (605,544)
Final distribution (bonus) for the year ended June 30, 2010: 9.163% (2009: Nil)	100,808	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing losses and capital losses transferred to Income Statement	27,660	95,819
- amount representing income and capital gains that form part of the unit holders' fund transferred to Distribution Statement	(128,849) (101,189)	(330,226) (234,407)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	19,227	(27,851)
Net gain on sale of investments	192,253	264,593
Other net loss for the year after taxation	(4,081) 207,399	(99,190) 137,552
Less: Distributions made during the year		
Final distribution for the year ended June 30, 2010: 9.163% (2009: Nil) (Date of distribution: July 5, 2010)		
- Bonus units	(100,808)	-
- Cash distribution	(23,246)	-
Interim distribution for the half-year ended December 31, 2010: 1.85% (2009: Nil) (Date of distribution: February 18, 2011)		
- Bonus units	(17,650)	-
- Cash distribution	(4,546)	-
Interim distribution for the quarter ended March 31, 2011: 1.85% (2010: Nil) (Date of distribution: April 19, 2011)		
- Bonus units	(18,242)	-
- Cash distribution	(4,546)	-
	(169,038)	-
Interim distribution: Issue of bonus units	35,892	-
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that forms part of the unit holders fund	128,849	330,226
Net assets at the end of the year	<u>926,795</u>	<u>959,138</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA STOCK FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year before taxation		207,399	137,552
Adjustments:			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(19,227)	27,851
Element of losses and capital losses included in prices of units issued less those in units redeemed - amount transferred to Income Statement		27,660	95,819
Amortisation of preliminary expenses and floatation costs		500	500
		<u>216,332</u>	<u>261,722</u>
(Increase) / decrease in assets			
Investments		84,200	333,969
Receivable against sale of investments		(9,291)	24,624
Dividend and profit receivable		2,441	1,192
Deposits, prepayments and other receivables		1,000	3,511
		<u>78,350</u>	<u>363,296</u>
Increase / (decrease) in liabilities			
Payable to the Management Company		(278)	(1,640)
Payable to the Trustee		5	(35)
Payable to the Securities and Exchange Commission of Pakistan		(302)	(206)
Payable against purchase of investments		43,732	(13,960)
Accrued expenses and other liabilities		4,378	3,303
		<u>47,535</u>	<u>(12,538)</u>
Net cash generated from operating activities		<u>342,217</u>	<u>612,480</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issue of units		602,899	557,199
Payments against redemption of units		(837,748)	(1,163,246)
Distributions paid		(32,338)	-
Net cash used in financing activities		<u>(267,187)</u>	<u>(606,047)</u>
Net increase in cash and cash equivalents during the year		<u>75,030</u>	<u>6,433</u>
Cash and cash equivalents at the beginning of the year		22,404	15,971
Cash and cash equivalents at the end of the year	4	<u><u>97,434</u></u>	<u><u>22,404</u></u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA STOCK FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Stock Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) (formerly National 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 December 06, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 20, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 9th Floor, Adamjee House, I.I Chundrigar Road, Karachi. The Management Company is a member of Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund classified as an equity scheme by the Management Company and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund, is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2-' (Positive outlook) to the Management Company and a performance ranking of 3-Star to the Fund based on the performance of the Fund for the year ended June 30, 2010.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

BASIS OF PREPARATION

2 Statement of compliance

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC 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 standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did 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, as adopted in Pakistan, that are not yet effective

The following revised standard has been published and is mandatory for accounting periods on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

NAFA STOCK FUND

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (notes 3.2 and 5).

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents include balances with banks and other short-term highly liquid investments with original maturities of three months or less which are subject to insignificant changes in value.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: 'loans and receivables', 'at fair value through profit or loss' 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.

a) Loans and receivables

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

b) Financial assets at fair value through profit or loss

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

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are investments which are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in prices.

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

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 STOCK FUND

a) Basis of valuation of equity securities

Investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

b) Basis of valuation of government securities

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

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

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

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 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. A security purchased in the ready market is classified as 'Investment at fair value through profit or loss' and carried on the Statement of Assets and Liabilities at fair value till its eventual disposal, with the resulting gain / loss taken to the Income Statement. A forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the Income Statement.

3.2.6 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets 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 the 'Income Statement' is reclassified from 'Unit Holders' Fund' to the 'Income Statement'.

a) 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, among 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'.

b) 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 SECP.

3.2.7 Derecognition

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

3.2.8 Offsetting of financial assets and liabilities

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

3.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement, each derivative instrument is re-measured to its fair value and the resultant gain or loss is recognised in the Income Statement.

NAFA STOCK FUND

3.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.5 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 NBFC 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 are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Taxation

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

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

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

3.8 Proposed distributions

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

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is charging sales load (front end load) at a rate of three percent of net asset value per unit. Transaction costs are recorded as the income of the Fund.

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

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

NAFA STOCK FUND

3.11 Revenue recognition

- Capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on an accrual basis.
- Income from government securities is recognised on an accrual basis.
- Unrealised gains / losses arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.

	Note	2011	2010
-----Rupees in '000-----			
4 BALANCES WITH BANKS			
In current accounts		792	698
In savings accounts	4.1	96,642	21,706
		<u>97,434</u>	<u>22,404</u>

4.1 These accounts carry profit at rates ranging from 5% to 12% (2010: 5% to 12%) per annum.

	Note	2011	2010
-----Rupees in '000-----			
5 INVESTMENTS			
Financial assets at fair value through profit or loss - held for trading			
- Listed equity securities	5.1	870,297	935,270
- Government securities	5.2	-	-
		<u>870,297</u>	<u>935,270</u>

5.1 Investment in listed equity securities

Name of the investee company	-----Number of shares-----					Market value as at June 30, 2011	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2011				
(Rupees in '000)									
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs.10 each unless stated otherwise									
OIL AND GAS									
Attock Petroleum Limited	94,140	389,609	25,118	463,068	45,799	17,141	1.85%	1.97%	0.07%
Attock Refinery Limited	54,500	435,300	-	439,000	50,800	6,235	0.67%	0.72%	0.06%
National Refinery Limited	173,218	286,100	-	381,410	77,908	27,444	2.96%	3.15%	0.10%
Oil & Gas Development Company Limited	896,683	781,600	-	1,242,900	435,383	66,609	7.19%	7.65%	0.01%
Pakistan Oilfields Limited	295,100	833,500	-	861,500	267,100	95,892	10.35%	11.02%	0.11%
Pakistan Petroleum Limited	416,436	636,800	84,667	856,100	281,803	58,353	6.30%	6.70%	0.02%
Pakistan State Oil Company Limited	124,001	420,700	-	396,101	148,600	39,317	4.24%	4.52%	0.09%
CHEMICALS									
Engro Corporation Limited	282,811	1,576,800	63,262	1,685,604	237,269	38,734	4.18%	4.45%	0.06%
Fatima Fertilizer Company Limited	-	1,685,150	-	150	1,685,000	28,038	3.03%	3.22%	0.08%
Fauji Fertilizer Company Limited	507,000	2,272,695	38,350	2,159,800	658,245	98,967	10.68%	11.37%	0.08%
Fauji Fertilizer Bin Qasim Limited	8,000	3,435,700	-	2,543,600	900,100	37,939	4.09%	4.36%	0.10%
Lotte Pakistan PTA Limited	-	6,241,000	-	5,643,000	598,000	8,270	0.89%	0.95%	0.04%
CONSTRUCTION AND MATERIALS									
Attock Cement Pakistan Limited	223,456	110,000	-	333,456	-	-	-	-	-
D.G. Khan Cement Company Limited	460,000	1,254,000	-	1,714,000	-	-	-	-	-
Lucky Cement Limited	154,023	2,287,863	-	2,304,000	137,886	9,768	1.05%	1.12%	0.04%
Thatta Cement Company Limited	1,000,000	-	250,000	-	1,250,000	24,975	2.69%	2.87%	6.27%
GENERAL INDUSTRIALS									
Thal Limited *	389,566	93,000	59,562	223,071	319,057	32,237	3.48%	3.70%	0.52%
INDUSTRIAL ENGINEERING									
Al-Ghazi Tractors Limited *	32,328	20,600	-	52,928	-	-	-	-	-
Millat Tractors Limited	-	75,400	6,075	57,375	24,100	14,501	1.56%	1.67%	0.07%
Balance Carried Forward						604,420	65.22%	69.45%	

NAFA STOCK FUND

Name of the investee company	-----Number of shares-----					Market value as at June 30, 2011	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2011				
						(Rupees in '000)			
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs.10 each unless stated otherwise									
Balance Brought Forward						604,420	65.22%	69.45%	
PERSONAL GOODS									
Amtex Limited	1,061,366	845,000	154,559	2,060,925	-	-	-	-	-
Azgard Nine Limited (Non-voting)	806,400	-	-	-	806,400	5,645	0.61%	0.65%	0.17%
Nishat Chunian Limited	-	831,000	-	829,000	2,000	45	0.00%	0.01%	0.00%
Nishat Mills Limited	24	521,000	-	520,000	1,024	52	0.01%	0.01%	0.00%
MEDIA									
Hum Television Network Limited	860,779	-	-	-	860,779	12,963	1.40%	1.49%	1.72%
FIXED LINE TELECOMMUNICATION									
Pakistan Telecommunication Company Limited	2,223,000	1,379,000	-	3,602,000	-	-	-	-	-
Wateen Telecom Limited	1,500,000	-	-	-	1,500,000	3,120	0.34%	0.36%	0.24%
ELECTRICITY									
The Hub Power Company Limited	1,909,500	3,831,599	-	3,542,000	2,199,099	82,466	8.90%	9.48%	0.19%
Nishat Power Limited	-	5,313,500	-	4,175,631	1,137,869	17,569	1.90%	2.02%	0.32%
COMMERCIAL BANKS									
Allied Bank Limited	264,134	663,300	45,784	505,570	467,648	29,995	3.24%	3.45%	0.05%
Bank Alfalah Limited	-	1,585,000	-	1,535,000	50,000	479	0.05%	0.06%	0.00%
Bank Al-Habib Limited	749,723	289,999	120,545	601,000	559,267	16,482	1.78%	1.89%	0.06%
Habib Metropolitan Bank Limited	488,298	-	-	488,298	-	-	-	-	-
MCB Bank Limited	554,528	924,839	22,802	1,270,600	231,569	46,152	4.98%	5.30%	0.03%
Meezan Bank Limited	25	1,534,142	230,125	138,000	1,626,292	28,411	3.07%	3.26%	0.20%
National Bank of Pakistan	224,331	1,454,800	64	1,678,874	321	16	0.00%	0.00%	0.00%
United Bank Limited	357,046	2,769,028	-	2,766,316	359,758	22,273	2.40%	2.56%	0.03%
FINANCIAL SERVICES									
Arif Habib Limited	253,500	215,000	-	468,500	-	-	-	-	-
Jahangir Siddiqui Company Limited	-	1,777,000	-	1,757,000	20,000	130	0.01%	0.01%	0.00%
SOFTWARE AND COMPUTER SERVICES									
Netsol Technologies Limited	380,000	1,416,000	-	1,792,120	3,880	79	0.01%	0.01%	0.00%
						870,297	93.90%	100.00%	
Carrying value as at June 30, 2011						851,070			

* The face value of each share held of Thal Limited and Al-Ghazi Tractors Limited is Rs.5.

Investments include shares with market value of Rs 241.535 million (2010: Rs.205.135 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.1.1 Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'

	2011	2010
	-----Rupees in '000-----	
Market value of investments	870,297	935,270
Less: Carrying value of investments	<u>(851,070)</u>	<u>(963,121)</u>
	<u>19,227</u>	<u>(27,851)</u>

NAFA STOCK FUND

5.2 Investment in government securities

Issue Date	Tenor	Face Value				Market value as at June 30, 2011	Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2010	Purchases during the year	Sales/ matured during the year	As at June 30, 2011			
----- (Rupees in '000) -----								
June 17, 2010	3 Months	-	25,000	25,000	-	-	-	-
April 8, 2010	6 Months	-	50,000	50,000	-	-	-	-
June 17, 2010	3 Months	-	125,000	125,000	-	-	-	-
October 8, 2010	12 Months	-	50,000	50,000	-	-	-	-
July 15, 2010	3 Months	-	25,000	25,000	-	-	-	-
August 3, 2010	6 Months	-	145,000	145,000	-	-	-	-
November 16, 2010	3 Months	-	75,000	75,000	-	-	-	-
December 2, 2010	3 Months	-	150,000	150,000	-	-	-	-
December 18, 2010	3 Months	-	150,000	150,000	-	-	-	-
					-	-	-	-
					-	-	-	-
Carrying value as at June 30, 2011					-	-	-	-

6	DIVIDEND AND PROFIT RECEIVABLE	Note	2011	2010
			-----Rupees in '000-----	
	Profit accrued on bank deposits		428	608
	Dividend receivable		<u>2,110</u>	<u>4,371</u>
			<u>2,538</u>	<u>4,979</u>
7	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Security deposits with:			
	- National Clearing Company of Pakistan Limited		2,500	3,500
	- Central Depository Company of Pakistan Limited		100	100
	Other receivables		<u>140</u>	<u>140</u>
			<u>2,740</u>	<u>3,740</u>
8	PRELIMINARY EXPENSES AND FLOATATION COSTS			
	Balance as at the beginning of the year	8.1	778	1,278
	Less: Amortisation during the year		<u>500</u>	<u>500</u>
	Balance as at the end of the year		<u>278</u>	<u>778</u>
8.1	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from January 20, 2007 as per the requirements set out in the Trust Deed of the Fund.			
9	PAYABLE TO THE MANAGEMENT COMPANY	Note	2011	2010
			-----Rupees in '000-----	
	Management fee	9.1	2,404	2,340
	Front-end load payable		<u>33</u>	<u>375</u>
			<u>2,437</u>	<u>2,715</u>
9.1	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and, thereafter, of an amount equal to two percent of such assets of the Fund. Management fee is currently being calculated at the rate of 3 percent of the average annual net assets of the Fund and is paid to the Management Company monthly in arrears.			
10	PAYABLE TO THE TRUSTEE	Note	2011	2010
			-----Rupees in '000-----	
	Trustee fee	10.1	<u>160</u>	<u>155</u>

NAFA STOCK FUND

- 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 specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of Funds Under Management (Average NAV)	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 "

The fee is payable to the Trustee monthly in arrears.

	Note	2011	2010
-----Rupees in '000-----			
11	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
	Annual Fee	11.1	907
			1,209

- 11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an equity scheme is required to pay an annual fee to Securities and exchange Commission of Pakistan, at an amount equal to 0.095 percent of the average annual net assets of the scheme. The Fund has been categorised as an equity scheme by the Management Company.

	Note	2011	2010
-----Rupees in '000-----			
12	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration	285	260
	Settlement charges	81	75
	Bank charges	40	80
	Provision for Workers' Welfare Fund	16	7,041
	Others	878	724
		8,325	3,947

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and June 30, 2010.

14 NET ASSET VALUE PER UNIT

The Net Asset Value per unit as disclosed on 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.

	Note	2011	2010
-----Rupees in '000-----			
15	AUDITORS' REMUNERATION		
	Audit fee	259	235
	Half yearly review	103	95
	Out of pocket expenses	33	45
		395	375

16 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

NAFA STOCK FUND

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 7.041 million (including Rs. 4.233 million for the current year) in these financial statements.

17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current year as the Management Company has distributed the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

18 EARNINGS PER UNIT

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

19 FINANCIAL INSTRUMENTS BY CATEGORY

-----as on June 30, 2011-----

	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-----Rupess in '000-----				
Assets				
Balances with Banks	97,434	-	-	97,434
Investments	-	870,297	-	870,297
Receivable against sale of investments	9,291	-	-	9,291
Dividend and profit receivable	2,538	-	-	2,538
Deposits and other receivables	2,600	-	-	2,600
	<u>111,863</u>	<u>870,297</u>	<u>-</u>	<u>982,160</u>

-----as on June 30, 2011-----

	At fair value through profit or loss	Other financial liabilities	Total
-----Rupess in '000-----			
Liabilities			
Payable to the Management Company	-	2,437	2,437
Payable to the Trustee	-	160	160
Payable against purchase of investments	-	43,732	43,732
Payable against redemption of units	-	222	222
Accrued expenses and other liabilities	-	1,227	1,227
	<u>-</u>	<u>47,778</u>	<u>47,778</u>

NAFA STOCK FUND

-----as on June 30, 2010-----

	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-----Rupess in '000-----				
Assets				
Balances with Banks	22,404	-	-	22,404
Investments	-	935,270	-	935,270
Receivable against sale of investments	-	-	-	-
Dividend and profit receivable	4,979	-	-	4,979
Deposits and other receivables	3,740	-	-	3,740
	<u>31,123</u>	<u>935,270</u>	<u>-</u>	<u>966,393</u>

-----as on June 30, 2010-----

	At fair value through profit or loss	Other financial liabilities	Total
-----Rupess in '000-----			
Liabilities			
Payable to the Management Company	-	2,715	2,715
Payable to the Trustee	-	155	155
Payable against purchase of investments	-	-	-
Payable against redemption of units	-	7	7
Accrued expenses and other liabilities	-	1,139	1,139
	<u>-</u>	<u>4,016</u>	<u>4,016</u>

20 TRANSACTIONS WITH CONNECTED PERSONS

- 20.1 Connected persons include NBP Fullerton Asset Management Limited (formerly National 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, Taurus Securities being an entity having directorship common with that of the Management Company, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 20.2 On March 31, 2010, NIB Bank Limited sold out its shareholding of NAFA to NBP. Accordingly, thereafter NIB is no longer a connected person for the Management Company.
- 20.3 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 20.4 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.
- 20.5 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.
- 20.6 Details of significant transactions carried out by the Fund with connected persons and balances with them, as at year end, are as follows:

NAFA STOCK FUND

	For the year ended June 30, 2011	For the year ended June 30, 2010
	-----Rupees in '000-----	
Transactions during the year		
NBP Fullerton Asset Management Limited - Management Company		
Management fee for the year	28,672	38,192
Front end load	1,281	2,878
NIB Bank Limited - (Previously a Sponsor)		
Income on bank deposits till March 31, 2010		509
Units redeemed during the year (Nil unit; 2010: 7,500,000 units)		59,395
Cash distribution		-
Alexandra Fund Management Pte. Limited - Sponsor		
Bonus units issued (2,264,485 units; 2010: Nil unit)	-	-
Units redeemed (5,937,096 units; 2010: Nil unit)	40,000	-
Chief Executive Officer		
Units issued (Nil unit; 2010: 759,647 units)	-	5,000
Units redeemed (Nil unit; 2010: 809,511 units)	-	6,186
Employees of the Management Company		
Units issued (2,262,998 units; 2010: 6,664,580 units)	16,159	48,640
Units redeemed (2,489,061 units; 2010: 6,783,448 units)	17,777	49,440
Bonus units issued (33,175 units; 2010: Nil unit)	-	-
Chief Financial Officer		
Units issued (Nil unit; 2010: 169,910 units)	-	2,016
Units redeemed (Nil unit; 2010: 282,725 units)	-	1,034
Bonus units issued (Nil unit; 2010: Nil unit)	-	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,909	2,268
CDS Charges	205	512
NAFA Provident Fund Trust - Provident Fund		
Units Issued (5,390,840 units; 2010: 1,371,149 units)	38,968	9,984
Units redeemed (5,480,313 units; 2010: 1,472,379 units)	39,792	10,757
Bonus units issued (83,378 units; 2010: Nil unit)	-	-
NBP Employees Pension Fund		
Bonus units issued (4,382,689 units; 2010: Nil unit)	-	-
Taurus Securities Limited		
Brokerage Expense	392	-
Amounts outstanding as at year end		
	June 30, 2011	June 30, 2011
	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited - Management Company		
Management Fee Payable	2,404	2,340
Front-end Load Payable	33	375
National Bank of Pakistan - Sponsor		
Investment held by the sponsor in the Fund (7,500,000 units; 2010: 7,500,000 units)	56,570	53,133
Deposit held by the Fund with the Sponsor	783	694
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (8,772,245 units; 2010: 12,444,856 units)	66,166	88,164

NAFA STOCK FUND

	June 30, 2011	June 30, 2010
	-----Rupees in '000-----	
Chief Executive Officer		
Investment held by the Chief Executive Officer (Nil unit; 2010: Nil unit)	-	-
Employees of the Management Company		
Investment held in the Fund (29,426 units; 2010: 225,468 units)	222	1,597
Chief Financial Officer		
Investment held in the Fund (Nil unit; 2010: Nil unit)	-	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee Fee payable	160	155
CDS charges payable	81	75
Security Deposit	100	100
NAFA Provident Fund Trust - Provident Fund		
Investment held in the Fund (512,824 units; 2010: 518,919 units)	3,868	3,676
NBP Employees Pension Fund		
Investment held in the Fund (25,689,286 units; 2010: 21,306,598 units)	193,767	150,944
Taurus Securities Limited		
Brokerage payable	67	-

21 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	23
2	Mr. Sajjad Anwar	MBA, CFA	11
3	Mr. Tanveer Abid	MBA, CFA	12

21.1 Mr. Sajjad Anwar is the Fund Manager of NAFA Stock Fund. He is also the Fund Manager of NAFA Multi Asset Fund and NAFA Islamic Multi Asset Fund.

22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2011
1 Arif Habib Securities Limited	7.93%
2 Taurus Securities Limited	6.79%
3 KASB Securities Limited	6.56%
4 Fortune Securities Limited	5.39%
5 JS Global Capital Limited	5.24%
6 Habib Metropolitan Financial Services Limited	4.82%
7 Foundation Securities (Private) Limited	4.66%
8 Invisor Securities (Private) Limited	4.39%
9 AKD Securities Limited	4.31%
10 Elixir Securities Pakistan (Private) Limited	4.28%
	2010
1 Jehangir Siddique Capital Market Limited	5.44%
2 Taurus Securities Limited	5.01%
3 Arif Habib Securities Limited	4.55%
4 KASB Securities Limited	4.51%
5 BMA Capital Management Limited	4.41%
6 Invisor Securities Private Limited	4.25%
7 Fortune Securities Private Limited	4.20%
8 Foundation Securities Limited	4.13%
9 Elixir Securities Limited	4.00%
10 AKD Securities Limited	3.61%

NAFA STOCK FUND

23 PATTERN OF UNIT HOLDING

Category	As at June 30, 2011		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	1,232	217,545	23.47%
Associated companies / Directors	2	122,737	13.24%
Insurance companies	-	-	0.00%
Bank / DFIs	1	127,270	13.73%
NBFCs	-	-	0.00%
Retirement funds	34	453,565	48.94%
Public Limited companies	3	376	0.04%
Others	9	5,302	0.58%
	1,281	926,795	100.00%

Category			
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	1,684	294,525	30.71%
Associated companies / Directors	3	144,973	15.11%
Insurance companies	2	2,915	0.30%
Bank / DFIs	1	119,537	12.46%
NBFCs	-	-	0.00%
Retirement funds	43	387,315	40.38%
Public limited companies	7	3,662	0.38%
Others	11	6,211	0.66%
	1,751	959,138	100.00%

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 27th, 28th, 29th, 30th and 31st Board meetings were held on July 05, 2010, August 25, 2010, October 18, 2010, February 18, 2011 and April 19, 2011 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. Qamar Hussain*	4	2	2	29th, 30th meeting
Mr. Shahid Anwar Khan	5	4	1	27th meeting
Dr. Asif A. Brohi*****	4	0	4	28th, 29th, 30th & 31st meeting
Mr. Shehryar Faruque	5	3	2	27th & 29th meeting
Mr. Kamal Amir Chinoy	5	3	2	27th & 30th meeting
Syed Iqbal Ashraf**	1	1	0	
Mr. Gerard Lee How Cheng***	3	2	1	29th meeting
Mr. Patrick Pang Chin Hwang	5	5	0	
Mr. Choy Peng Wah****	1	0	1	30th meeting
Mr. Wah Geok Sum*****	1	1	0	
Dr Amjad Waheed	5	5	0	

* Mr. Qamar Hussain resigned from the Board with effect from March 25, 2011.

** Mr. Syed Iqbal Ashraf was co-opted on the Board with effect from March 25, 2011.

*** Mr. Gerard Lee How Cheng resigned from the Board with effect from November 15, 2010.

**** Mr. Choy Peng Wah was co-opted on the Board with effect from November 5, 2010 & has resigned from the Board with effect from February 18, 2011.

***** Mr. Wah Geok Sum was co-opted on the Board with effect from February 18, 2011.

***** Dr. Asif A. Brohi was co-opted on the Board with effect from August 9, 2010

NAFA STOCK FUND

25 FINANCIAL RISK MANAGEMENT

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

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

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

25.1.1 Currency risk

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

25.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates.

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

----- As at June 30, 2011 -----				
Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
	Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----				
On-balance sheet financial instruments				
Financial Assets				
Balances with banks	97,434	96,642	-	792
Investments	870,297	-	-	870,297
Receivable against sale of investment	9,291	-	-	9,291
Dividend and profit receivable	2,538	-	-	2,538
Deposits and other receivables	2,600	-	-	2,600
	982,160	96,642	-	885,518
Financial Liabilities				
Payable to the Management Company	2,437	-	-	2,437
Payable to the Trustee	160	-	-	160
Payable against purchase of investments	43,732	-	-	43,732
Payable against redemption of units	222	-	-	222
Accrued expenses and other liabilities	1,227	-	-	1,227
	47,778	-	-	47,778
On-balance sheet gap	934,382	96,642		837,740
Off-balance sheet financial instruments	-	-	-	-
Off-balance sheet gap	-	-	-	-

NAFA STOCK FUND

As at June 30, 2010

Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
	Upto three months	More than three months and upto one year	More than one year	

(Rupees in '000)

On-balance sheet financial instruments

Financial Assets

Balances with banks	22,404	21,706	-	-	698
Investments	935,270	-	-	-	935,270
Receivable against sale of investment	-	-	-	-	-
Dividend and profit receivable	4,979	-	-	-	4,979
Deposits and other receivables	3,740	-	-	-	3,740
	966,393	21,706	-	-	944,687

Financial Liabilities

Payable to the Management Company	2,715	-	-	-	2,715
Payable to the Trustee	155	-	-	-	155
Payable against purchase of investments	-	-	-	-	-
Payable against redemption of units	7	-	-	-	7
Accrued expenses and other liabilities	1,139	-	-	-	1,139
	4,016	-	-	-	4,016

On-balance sheet gap

	962,377	21,706	-	-	940,671
--	---------	--------	---	---	---------

Off-balance sheet financial instruments

	-	-	-	-	-
--	---	---	---	---	---

Off-balance sheet gap

	-	-	-	-	-
--	---	---	---	---	---

2011 2010
Percentage per annum

The rates of return on financial instruments are as follows:

Balances with banks - in saving accounts	5.00 - 12.00	5.00 - 12.00
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25.1.3 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 rate 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 instrument traded in the market.

The Fund's equity securities are exposed to price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss'. To manage the risk, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive documents / NBFC Regulations also limit exposure to individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of the net assets or index weight of securities whichever is higher, subject to maximum of 35% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2011, net income for the year would increase / decrease by Rs 41.698 million (2010: Rs 52.381 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that 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 100 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

25.2 Credit Risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and accrued income on bank deposits. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend 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.

NAFA STOCK FUND

The analysis below summarises the credit quality of the Fund's bank balances:

Bank balances by category	As on June 30, 2011	As on June 30, 2010
A1+, A-1+	99.55%	97.94%
A2, A-2	0.41%	0.28%
A1, A-1	0.04%	0.40%
A-3	0.00%	1.38%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

Concentration of credit risk

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

25.3 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 daily settlement of equity securities and to daily cash redemptions, if any, 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 damage 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. The Fund's equity securities are considered readily realisable as they are listed on the Karachi Stock Exchange.

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year ended June 30, 2011.

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

-----As at June 30, 2011-----

Total	Upto three months	Over three months and upto one year	Over one year
-------	----------------------	---	---------------

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

Liabilities

Payable to the Management Company
Payable to the Trustee
Payable against purchase of investments
Payable against redemption of units
Accrued expenses and other liabilities

2,437	2,437	-	-
160	160	-	-
43,732	43,732	-	-
222	222	-	-
1,227	1,227	-	-
47,778	47,778	-	-

NAFA STOCK FUND

-----As at June 30, 2010-----

Total	Upto three months	Over three months and upto one year	Over one year
-------	-------------------	-------------------------------------	---------------

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

Liabilities

Payable to the Management Company	2,715	2,715	-	-
Payable to the Trustee	155	155	-	-
Payable against purchase of investments	-	-	-	-
Payable against redemption of units	7	7	-	-
Accrued expenses and other liabilities	1,139	1,139	-	-
	4,016	4,016	-	-

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 tradeable in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. Investments of the Fund in equity securities are revalued on the basis of closing quoted market prices available at the stock exchange. Investments of the Fund in government securities are revalued on the basis of rates announced by the Financial Markets Association of Pakistan. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (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)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

-----As at June 30, 2011-----

Assets	Level 1	Level 2	Level 3	Total
--------	---------	---------	---------	-------

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

Financial assets at fair value through profit or loss				
- Investment in listed equity securities	870,297	-	-	870,297

-----As at June 30, 2010-----

Assets	Level 1	Level 2	Level 3	Total
--------	---------	---------	---------	-------

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

Financial assets at fair value through profit or loss				
- Investment in listed equity securities	935,270	-	-	935,270

NAFA STOCK FUND

27 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. There is no specific capital requirement which is applicable on the Fund.

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

In accordance with the risk management policies stated in note 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

28 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in its meeting held on July 4, 2011 has approved a final distribution for the year ended June 30, 2011 at the rate of 10.3320% (2010: 9.163%). The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 29, 2011.

30 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

31 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

The bifurcation of undistributed income into realised and unrealised income at the beginning and at the end of the year, as required by the NBFC Regulations, 2008, has not been disclosed as such bifurcation is not practicable.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

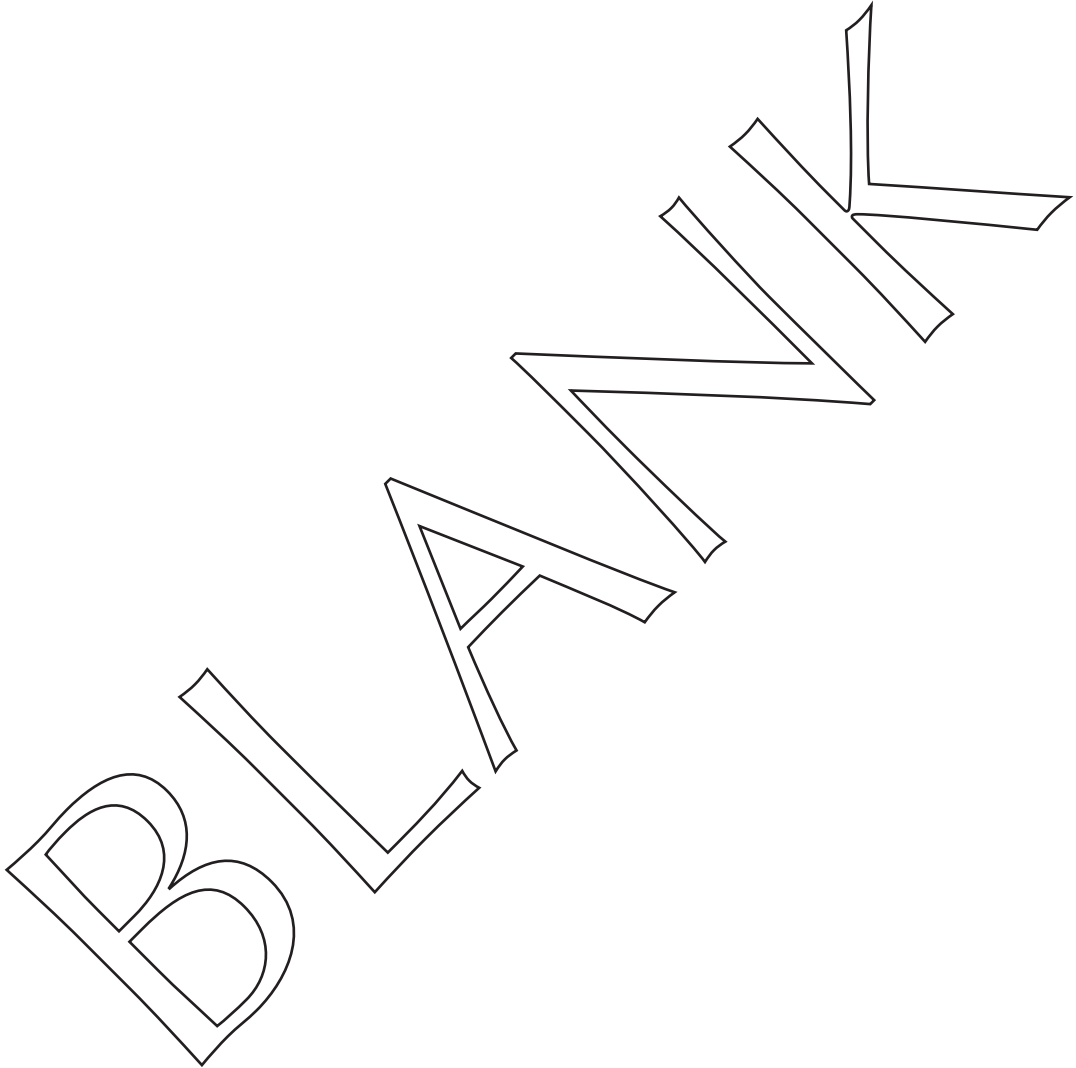
Director

NAFA STOCK FUND

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2011	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year ended June 30, 2008	For the period ended from January 15 to June 30, 2007
Net assets (Rs '000)	926,795	959,138	1,331,311	2,565,736	1,460,323
Net income (Rs '000)	207,399	137,552	(1,117,474)	(86,957)	442,474
Net Asset Value per unit (Rs)	6.5095	6.1681	6.0685	11.1621	12.0871
Selling price per unit	6.7048	6.3531	6.2506	11.2038	12.5175
Repurchase price per unit	6.5095	6.1681	6.0685	10.8599	12.0871
Highest offer price per unit (Rs)	6.9168	7.1319	11.3508	14.6622	12.5183
Lowest offer price per unit (Rs)	5.1401	5.5287	4.2803	10.4616	8.0038
Highest redemption price per unit (Rs)	6.7153	6.9242	11.0202	14.2175	12.0879
Lowest redemption price per unit (Rs)	4.9904	5.3677	4.1556	10.1393	7.7049
Total Return of the fund	28.37%	16.74%	-45.63%	-2.65%	43.47%
Capital Growth	5.62%	1.64%	-45.63%	-7.65%	20.87%
Income Distribution	22.75%	15.10%	0.00%	5.00%	22.60%
Distribution					
Interim distribution per unit	0.3700	-	-	0.3022	-
Final distribution per unit	1.0332	0.9163	-	0.3022	2.2600
Distribution dates					
Interim distribution	Feb 18, 2011 - April 19, 2011	Nil	Nil	15-Apr-08	
Final distribution	4-Jul-11	5-Jul-10	Nil	3-Jul-08	5-Jul-07
Average annual return (Launch Date January 22, 2007)					
Since Inception to June 30, 2011	13.18%				
Since Inception to June 30, 2010		-11.84%			
Since Inception to June 30, 2009			-24.48%		
Since Inception to June 30, 2008				38.91%	
Since Inception to June 30, 2007					43.47%
Portfolio Composition (See Fund Manager report)					
Statement of past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up					

NAFA STOCK FUND



NAFA STOCK FUND

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NAFA STOCK FUND

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