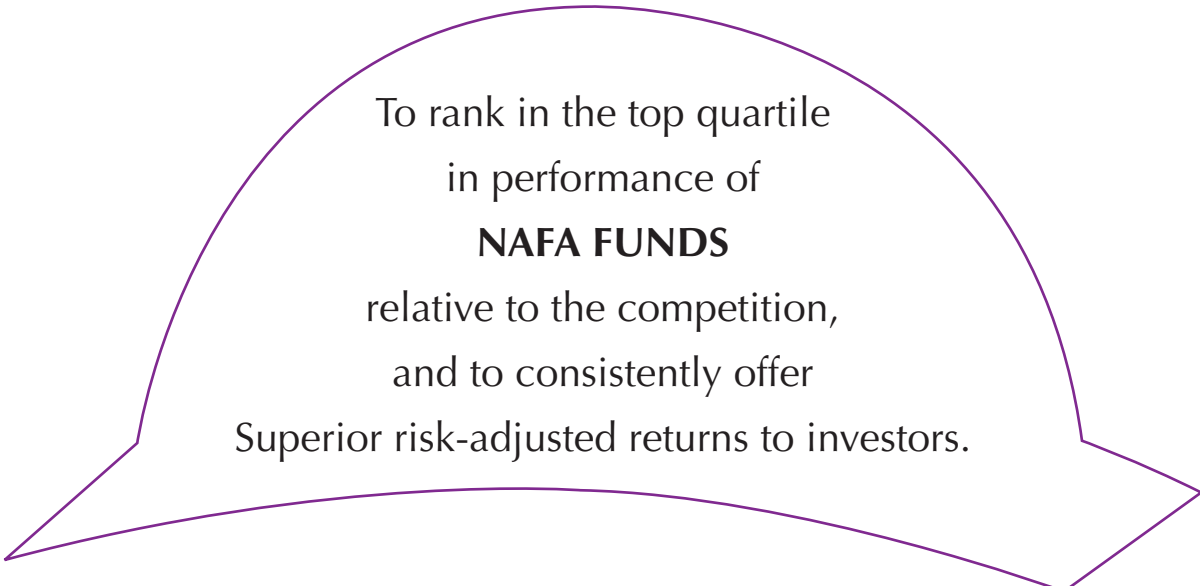


## MISSION STATEMENT



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 ISLAMIC MULTI ASSET FUND

## FUND'S INFORMATION

### Management Company

**NBP Fullerton Asset Management Limited – Management Company**

### Board of Directors of the Management Company

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

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

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

### Trustee

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

### Bankers to the Fund

Al-Baraka Islamic Bank  
Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Burj Bank Limited (Formerly Dawood Islamic Bank)  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank Limited  
United Bank Limited  
Bank Al-Habib Limited  
The Bank of Khyber.

# NAFA ISLAMIC MULTI ASSET FUND

## **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.02  
Beaumont Road,  
Karachi - 75530, Pakistan.

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

# NAFA ISLAMIC MULTI ASSET FUND

## Contents

DIRECTORS' REPORT	05
TRUSTEE REPORT TO THE UNIT HOLDERS	08
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	09
FUND MANAGER REPORT	12
STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	15
REPORT OF THE SHARIAH ADVISOR	16
INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	18
REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE	19
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	20
STATEMENT OF ASSETS AND LIABILITIES	21
INCOME STATEMENT	22
STATEMENT OF COMPREHENSIVE INCOME	23
DISTRIBUTION STATEMENT	24
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	25
CASH FLOW STATEMENT	26
NOTES TO THE FINANCIAL STATEMENTS	27
PERFORMANCE TABLE	47

# NAFA ISLAMIC MULTI ASSET FUND

## DIRECTORS' REPORT

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

### Fund's Performance

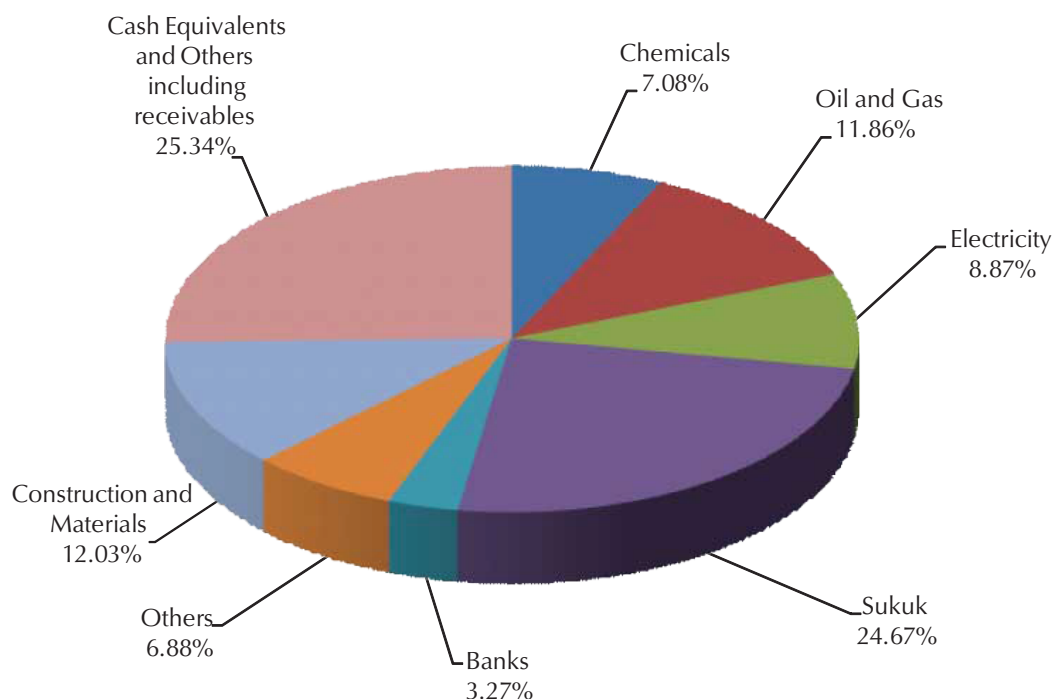
During FY2011-12, the stock market (KMI-30 Index) rose by 13.6%. The positive trend in the market resulted from the combined effect of strong corporate earnings and payouts, improved trading activity and foreign flows, relaxation in Capital Gains Tax regime, domestic political continuity and stability on the economic front. The Construction & Materials, Electricity, General Industrials and Food Producers sectors performed better than the market. On the contrary, the Oil & Gas and Chemicals sectors lagged the market.

With some letup in inflationary pressures and improved external accounts, SBP slashed the Policy Rate during FY12 by 2% to 12%. All Sukuks in the Fund are floating rate linked to KIBOR.

During the fiscal year, the return on NAFA Islamic Multi Asset Fund was 13.25% as against its benchmark (50% KMI-30 Index, 50% average 3-Month Profit Rate of Islamic Banks) return of 11.07%. Thus an out-performance of 2.18% during the year. NIMF out-performed on the back of timely asset allocation and better than the market performance of its key holdings in the Oil & Gas, Construction & Materials, and Chemicals sectors. Further, the Fund was under-weight in key stocks in Oil & Gas and Fixed Line Telecommunication sectors that lagged the market, thereby contributing to the out-performance.

NAFA Islamic Multi Asset Fund has earned total income of Rs. 41.75 million during the year. After deducting total expenses of Rs.40.37 million, the net income is Rs.1.38 million. During the year, the unit price of NAFA Islamic Multi Asset Fund has increased from Rs.9.1039 (distribution adjusted) on June 30, 2011 to Rs.10.3099 (Ex-Div) on June 30, 2012.

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



# NAFA ISLAMIC MULTI ASSET FUND

## Income Distribution

Due to net loss for the year, no distribution has been made.

## Taxation

On account of net loss, no provision for taxation was made in the financial statements of the Fund.

## Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2013.

## Directors' Statement in Compliance with Code of Corporate Governance

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

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 11, 2012  
Place: Karachi.

# NAFA ISLAMIC MULTI ASSET FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC MULTI ASSET 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 Islamic Multi Asset Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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

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

Karachi: October 10, 2012



# NAFA ISLAMIC MULTI ASSET FUND

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

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

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

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

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

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

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

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

# NAFA ISLAMIC MULTI ASSET FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities and requirements of CCG, the code requires company to conduct formal orientation for directors. The board did not arrange director training /education program required under the code as all the directors meet the exemption criteria of minimum fourteen years of education and fifteen years of experience. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the Units of the Fund other than that disclosed in note 20 to the financial statements " Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of four members, of who are non-executive directors and the chairman of the committee is a non-independent director.
18. The board has set up an effective internal audit function.

# NAFA ISLAMIC MULTI ASSET FUND

19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. There was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with.

Karachi  
September 11, 2012

For and behalf of the board

Dr. Amjad Waheed  
Chief Executive Officer

# NAFA ISLAMIC MULTI ASSET FUND

## FUND MANAGER REPORT

### NAFA Islamic Multi Asset Fund

NAFA Islamic Multi Asset Fund is an open-ended Shariah Compliant balanced fund

### Investment Objective of the Fund

Objective of NIMF is to provide investors with a combination of capital growth and income by investing in a variety of asset classes such as Shariah Compliant stocks, bonds, money market instruments etc. The risk profile of the fund is moderate.

### Benchmark

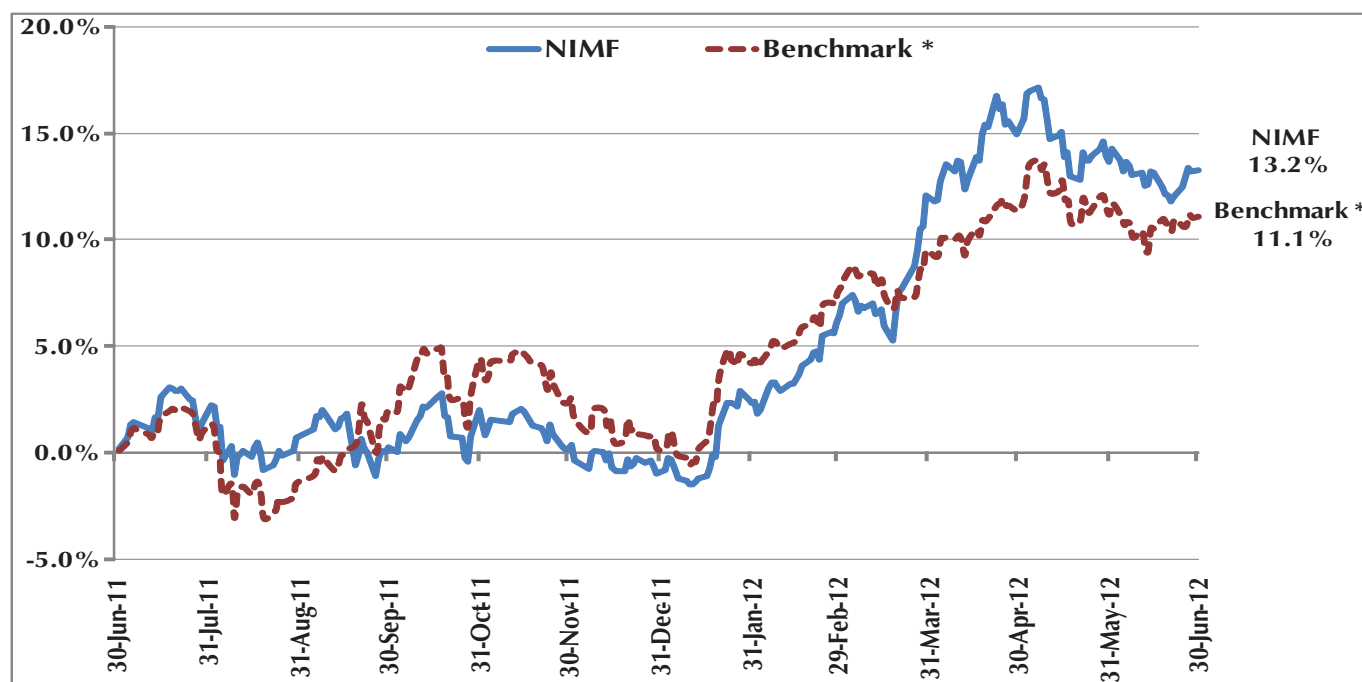
The Benchmark of the Fund is 50% average 3-month profit rate on Islamic Banks and 50% KMI-30 Index.

### Fund performance review

During FY12, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) increased by 13.25%, whereas the benchmark increased by 11.07%, thus an out-performance of 2.18% was recorded. This out-performance is net of management fee and all other expenses. Thus, NIMF has met its investment objective.

During the year, NIMF out-performed on the back of better-than-market performance of its key holdings in the Construction & Materials, Banking and Oil & Gas sectors. The Fund continued its strategy of investing in high dividend yielding and defensive stocks.

NIMF Performance vs Benchmark during FY12



# NAFA ISLAMIC MULTI ASSET FUND

NIMF was around 50% invested in equities at the beginning of the year. During the year we adjusted the allocation of the Fund based on the performance of different asset classes. Towards the end of the year, we reduced allocation in equities to around the market weight (50%).

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

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

## Asset Allocation of the Fund (% of NAV)

Particulars	30 -Jun -12	30 -Jun -11
Equities / Stocks	50.00%	49.71%
Sukuks	24.66%	35.23%
Cash Equivalents	29.02%	12.05%
Other Net (Liabilities) / Assets	-3.68%	3.01%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets	Yield to Maturity per annum
Kohat Cement Limited (Sukuk)***	SUKUK	15,100,000	3,957,846	11,142,154	4.15%	3.88%	21.02%
Eden Housing (Sukuk II)	SUKUK	14,531,250	5,065,754	9,465,496	3.53%	3.30%	52.50%
Maple Leaf Cement (Sukuk I)	SUKUK	49,893,750	22,452,187	27,441,563	10.23%	9.56%	37.90%
Pak Elektron Limited (Sukuk)	SUKUK	21,428,571	6,190,476	15,238,095	5.68%	5.31%	18.78%
Maple Leaf Cement (Sukuk II)	SUKUK	1,875,000	1,875,000	-	-	-	-
<b>Total</b>		<b>102,828,571</b>	<b>39,541,263</b>	<b>63,287,308</b>	<b>23.59%</b>	<b>22.05%</b>	

\*\*\*\*Book Value, performing but below A- (A minus)

# NAFA ISLAMIC MULTI ASSET FUND

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

Size of Unit Holding (Units)	# of Unit Holders
1-1000	20
1001-5000	106
5001-10000	42
10001-50000	70
50001-100000	5
100001-500000	10
500001-1000000	1
1000001-5000000	1
5000001-10000000	2
10000001-100000000	0
100000001-1000000000	0
	257

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. 2,664,302/- If the same were not made the NAV per unit/return of scheme would be higher by Rs. 0.1024./0.99%. For details investors are advised to read the Note 16 of the Financial Statements of the Scheme for the year ended June 30, 2012.

# NAFA ISLAMIC MULTI ASSET FUND

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Multi Asset Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2012. This has been duly confirmed by the Shariah Advisor of the Fund.

Dated : September 11, 2012  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC MULTI ASSET FUND

## Report of the *Shariah* Advisor –NAFA Islamic Multi Asset Fund

October 12, 2012/ Ziqā'ad 25, 1433 A.H

**Alhamdulillah**, the period from July 1, 2011 to June 30, 2012 was the fifth year of operations of **NAFA Islamic Multi Asset Fund (NIMF)**. This report is being issued in accordance with clause 3.A.4 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shar'iah* Compliance of the Fund's activity.

We have prescribed five criteria for *Shar'iah* compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in *Shar'iah* Non-Compliant activities (iv) *Shar'iah* Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *Shar'iah* compliance with the *Shar'iah* guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. 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 prescribed criteria.

- i. We have reviewed and approved the modes of equity investments of NIMF in light of *Shar'iah* requirements. Following is a list of investments of NIMF as on June 30, 2012 and their evaluation according to the screening criteria established by us. (December 31, 2011 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non-Shar'iah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Al-Ghazi Tractors Ltd	Industrial Engineering	0.00%	13.57%	3.98%	37%	84.59	169.17
Attock Petroleum Ltd	Production of Oil & Gas	0.00%	4.02%	1.23%	26%	48.00	412.50
Attock Cement Ltd	Cement Manufacturer	0.00%	3.63%	0.29%	89%	(18.70)	51.00
D.G.Khan Cement Ltd	Cement Manufacturer	33.52%	3.22%	4.85%	71%	15.76	19.03
Fauji Fertilizer Company Ltd	Manufacturer of Fertilizer	24.89%	30.55%	1.64%	56%	(24.41)	149.54
Ghani Glass Ltd	General industries	0.00%	0.00%	0.09%	84%	(22.73)	41.03
Hub Power Company Ltd	Power generation & Distribution	32.75%	0.00%	0.05%	37%	(41.87)	34.20



# NAFA ISLAMIC MULTI ASSET FUND

Lucky Cement Ltd	Cement Manufacturer	16.00%	0.00%	0.00%	94%	(31.19)	75.04
Millat Tractors Ltd	Industrial Engineering	0.04%	10.46%	0.69%	66%	3.20	365.21
Oil & Gas Development Company Ltd	Exploration and Production of Oil & Gas	0.00%	18.49%	4.24%	41%	23.88	151.62
Pakistan Oilfields Ltd	Exploration and Production of Oil & Gas	0.00%	3.33%	4.09%	69%	2.10	346.45
Pak. Telecommunication. Co. Ltd	Provider of Telecommunication Services	7.41%	2.87%	1.22%	79%	(9.25)	10.39
Pakistan Petroleum Ltd	Exploration and Production of Oil & Gas	0.12%	32.60%	4.68%	35%	50.64	168.32
Sitara Chemical Industries Ltd	Chemicals	32.43%	0.00%	0.00%	71%	(168.20)	72.20
Thall	General industries	14.43%	2.88%	2.40%	83%	(78.43)	81.80
Unilever Pakistan Ltd	Food producers	2.02%	0.97%	0.08%	78%	(625.21)	5565.80
Meezan Bank Ltd	Islamic Commercial Bank	**					
Bank Islami Ltd	Islamic Commercial Bank	**					

\* All interest based debts

\*\* These ratios are for the calculation of non-Shar'iah Compliant element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

- ii. On the basis of information provided by the management, the provisions of the Scheme and investments in equities made on account of NIMF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NIMF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIMF for the period ended June 30, 2012 are not in compliance with the principles of Islamic Jurisprudence.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

**For and on behalf of Meezan Bank Limited**  
*Shari'ah Technical Services and Support Provider*

**Bilal Ahmed Qazi**  
*Shari'ah Advisor*

# NAFA ISLAMIC MULTI ASSET FUND

## Independent Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of directors of NBP Fullerton Asset Management Limited, Management Company of NAFA Islamic Multi Asset Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2012 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 5.D.3 of the Trust Deed of the Fund.

### Management Company's Responsibilities

The management company of the fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

### Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.

### The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.
2. Check that the Shariah Advisor has certified that investments made by the Fund during the period ended 30 June 2012 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended 30 June 2012.

Date: 11 September 2012

Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

# NAFA ISLAMIC MULTI ASSET FUND

## Review Report to the Unit Holders of NAFA Islamic Multi Asset Fund (“the Fund”) on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited** (“the Management Company”) to comply with the Listing Regulation of Lahore Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the 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 personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Further Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited 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 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 under taken 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 Fund’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Date: 11 September 2012

Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

# NAFA ISLAMIC MULTI ASSET FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS *Report on the Financial Statements*

We have audited the accompanying financial statements of **NAFA Islamic Multi Asset Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2012 and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' Fund for the year ended and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

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

### *Other matters*

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of auditors whose report dated 03 October 2011 expressed an unqualified opinion thereon.

### *Report on Other Legal and Regulatory Requirements*

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 11 September, 2012

Karachi

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

# NAFA ISLAMIC MULTI ASSET FUND

## Statement of Assets and Liabilities As at 30 June 2012

	Note	2012 (Rupees in '000)	2011
<b>ASSETS</b>			
Balances with banks	4	77,824	34,766
Receivable against sale of investments		-	2,945
Investments	5	200,244	245,126
Dividend and profit receivable	6	6,071	10,194
Advance, deposits and other receivable	7	2,632	2,653
Preliminary expenses and floatation costs	8	160	660
<b>Total assets</b>		<u>286,931</u>	<u>296,344</u>
<b>LIABILITIES</b>			
Payable to the NBP Fullerton Asset Management Limited - Management Company	9	1,030	868
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	117	112
Payable to the Securities and Exchange Commission of Pakistan	11	221	256
Payable against purchase of investments		13,562	2,945
Accrued expenses and other liabilities	12	3,810	3,581
<b>Total liabilities</b>		<u>18,740</u>	<u>7,762</u>
<b>NET ASSETS</b>		<u>268,191</u>	<u>288,582</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>268,191</u>	<u>288,582</u>
<b>CONTINGENCY AND COMMITMENT</b>	13	<b>(Number of units)</b>	
<b>Number of units in issue</b>		<u>26,013,069</u>	<u>26,702,727</u>
		<b>(Rupees)</b>	
<b>NET ASSETS VALUE PER UNIT</b>	14	<u>10.3099</u>	<u>10.8072</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 ISLAMIC MULTI ASSET FUND

## Income Statement For the year ended 30 June 2012

	Note	2012 (Rupees in '000)	2011
<b>INCOME</b>			
Capital gain on sale of investments - net		8,920	48,541
Income from sukuk bonds		11,084	21,090
Profit on saving accounts		1,926	2,600
Dividend income		10,251	13,193
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net	5.3	9,568	10,105
		<u>41,749</u>	<u>95,529</u>
<b>EXPENSES</b>			
Remuneration to the NBP Fullerton Asset Management Limited - Management Company	9.1	7,814	9,045
Sindh sales tax on management fee	9.1	1,250	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	700	711
Annual fee to Securities and Exchange Commission of Pakistan		221	256
Brokerage and other expenses		820	1,283
Settlement and bank charges		228	287
Annual listing fee		30	30
Auditors' remuneration	15	359	353
Provision / (reversal) against non-performing sukuk classified as available for sale		28,269	(13,696)
Fund rating fee		110	129
Legal and professional charges		40	95
Amortisation of preliminary expenses and floatation costs	8	500	500
		<u>40,341</u>	<u>(1,007)</u>
<b>Net income from operating activities</b>		<u>1,408</u>	<u>96,536</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		-	(20,227)
Provision for workers' welfare fund	16	(28)	(1,526)
<b>Net income for the year before taxation</b>		<u>1,380</u>	<u>74,783</u>
Taxation	17	-	-
<b>Net income for the year</b>		<u><u>1,380</u></u>	<u><u>74,783</u></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 ISLAMIC MULTI ASSET FUND

## Statement of Comprehensive Income For the year ended 30 June 2012

	Note	2012 (Rupees in '000)	2011
Net income for the year		1,380	74,783
<b>Other comprehensive income for the year</b>			
Unrealised appreciation / (diminution) on re-measurement of investments classified as available for sale - net	5.4	4,287	(21,533)
Reversal of diminution in the value of investments pertaining to non-performing investments		26,635	-
<b>Total comprehensive income for the year</b>		<u>32,302</u>	<u>53,250</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 ISLAMIC MULTI ASSET FUND

## Distribution Statement For the year ended 30 June 2012

	2012	2011
	(Rupees in '000)	
Undistributed income brought forward	60,354	15,855
Net income for the year	1,380	74,783
Element of (loss) / income and capital (losses) gains included in prices of units issued less those in units redeemed - amount representing income that form part of the Unit Holders' Fund	(932)	30,305

### Distributions:

Final distribution for the year ended 30 June 2011: 17.0330% (2010: 12.217%) (Date of distribution: 04 July 2011)

- Bonus units
- Cash distribution

Interim distribution for the six months period ended 31 December 2011: Nil (2010: 2.655%) (Date of distribution: 18 February 2011)

- Bonus units
- Cash distribution

Interim distribution for the three months period ended 31 March 2012: Nil (2011: 2.655%) (Date of distribution: 19 April 2011)

- Bonus units
- Cash distribution

(32,463)	(34,498)
(13,019)	(12,466)
(45,482)	(46,964)
-	(4,715)
-	(2,046)
-	(6,761)
-	(4,819)
-	(2,045)
-	(6,864)
(45,482)	(60,589)
15,320	60,354

Total Distributions

Undistributed income carried forward

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 ISLAMIC MULTI ASSET FUND

## Statement of Movement in Unit Holders' Fund For the year ended 30 June 2012

	2012	2011
	(Rupees in '000)	
Net assets at the beginning of the year	288,582	387,112
Issue of 2,474,257 units (2011: 1,219,087 units)	23,971	12,695
Issue of bonus units 3,565,886 (2011: 4,814,054 units)	32,463	44,032
Redemption of 6,729,802 units (2010: 17,771,869 units)	(63,645)	(168,145)
	(7,211)	(111,418)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net transferred to Income Statement	-	20,227
Total comprehensive income for the year	32,302	53,250
<b>Distributions:</b>		
Final distribution for the year ended 30 June 2011: 17.0330% (2010: 12.217%) (Date of distribution: 04 July 2011)		
- Bonus units	(32,463)	(34,498)
- Cash distribution	(13,019)	(12,466)
	(45,482)	(46,964)
Interim distribution for the six months period ended 31 December 2011: Nil (2010: 2.655%) (Date of distribution: 18 February 2011)		
- Bonus units	-	(4,715)
- Cash distribution	-	(2,046)
	-	(6,761)
Interim distribution for the three months period ended 31 March 2012: Nil (2011: 2.655%) (Date of distribution: 19 April 2011)		
- Bonus units	-	(4,819)
- Cash distribution	-	(2,045)
	-	(6,864)
Total Distributions	(45,482)	(60,589)
<b>Net assets as at the end of the year</b>	<u>268,191</u>	<u>288,582</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 ISLAMIC MULTI ASSET FUND

## Cash Flow Statement For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year		1,380	74,783
<b>Adjustments</b>			
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net		(9,568)	(10,105)
Provision / (reversal) against non-performing sukuku classified as available for sale		28,269	(13,696)
Amortisation of preliminary expenses and floatation costs		500	500
Element of loss and capital gains included in prices of units issued less those in units redeemed		-	20,227
		<u>20,581</u>	<u>71,709</u>
<b>Decrease / (increase) in assets</b>			
Receivable against sale of investments		2,945	1,605
Investments		57,103	105,010
Dividend and profit receivable		4,123	(6,543)
Advance, deposits and other receivable		21	8
<b>Net decrease in assets</b>		<u>64,192</u>	<u>100,080</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to Management Company		162	(168)
Payable to Trustee		5	(6)
Payable to Securities and Exchange Commission of Pakistan		(35)	(186)
Payable against purchase of investments		10,617	2,945
Accrued expenses and other liabilities		229	1,222
<b>Net increase in liabilities</b>		<u>10,978</u>	<u>3,807</u>
<b>Net cash flows from operating activities</b>		<u>95,751</u>	<u>175,596</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units		23,971	12,695
Payments on redemption of units		(63,645)	(183,335)
Dividend paid		(13,019)	(16,557)
<b>Net cash flows used in financing activities</b>		<u>(52,693)</u>	<u>(187,197)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>43,058</u>	<u>(11,601)</u>
Cash and cash equivalents at beginning of the year		34,766	46,367
<b>Cash and cash equivalents at end of the year</b>	4	<u><u>77,824</u></u>	<u><u>34,766</u></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 ISLAMIC MULTI ASSET FUND

## Notes to and forming part of the Financial Statements For the year ended 30 June 2012

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Multi Asset Fund ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.

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 also the member of 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 are transferable and can be redeemed by surrendering them to the Fund.

The Board of Directors have approved that the Fund should be categorized as "Shariah Compliant (Islamic) Scheme" and "Balanced Fund" as per the categories defined by the Securities and Exchange Commission of Pakistan.

The core objective of the Fund is to provide preservation of capital and earn a reasonable rate of return. The principal activity of the Fund is to make investments in Shariah compliant securities, instruments and avenues such as equities, musharikhah, murabahah, ijarah, etc. having a good credit rating and liquidity subject to the guidelines prescribed by SECP.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2 to the Management Company. Based on the performance of the Fund, rating issued on 04 November 2011, it has assigned performance ranking of Four Star to the Fund.

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Accounting convention

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

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

#### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment thereagainst (note 3.1.1 and 3.1.5).

# NAFA ISLAMIC MULTI ASSET FUND

## 2.5 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Fund.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on Fund's financial statements.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position. The amendment has no impact on Fund's financial statements.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment has no impact on Fund's financial statements.

# NAFA ISLAMIC MULTI ASSET FUND

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendment may result in modified disclosure in the interim financial statements.
- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Financial assets

#### 3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, held to maturity 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 prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

##### c) Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold maturity are classified as held to maturity.

##### d) Available for sale

Non-derivative financial assets that are intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices. 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, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

#### 3.1.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the assets.

#### 3.1.3 Initial recognition and measurement

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

#### 3.1.4 Subsequent measurement

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

# NAFA ISLAMIC MULTI ASSET FUND

## a) Basis of valuation of debt securities

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

## b) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

## c) Basis of valuation of Government Securities

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

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

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

Loans and receivables are carried at amortised cost using the effective interest method.

### 3.1.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in circular 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of Management Company.

### 3.1.6 Derecognition

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

### 3.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

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

### 3.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 3.4 Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These are measured at initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. All derivatives in a net receivables positions (positive fair values) and reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading.

# NAFA ISLAMIC MULTI ASSET FUND

## 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.

## 3.6 Provision

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are regularly reviewed and are 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 among the unit holders. The Fund is 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 if any 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 taxation 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 distribution

Distributions declared including the bonus units are recorded in the period in which they are approved.

## 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 of that day. 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. The sales load is payable to the Management Company, Investment facilitators or distributors. 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 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.

## 3.10 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.

Up to 30 June 2011, the Fund recorded portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period on account of gains / (losses) that formed 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) was included in the amount available for distribution to the unit holders. At the end of the accounting period the portion of net income / (loss) relating to units issued and redeemed during suh accounting period had bee transferred to inome statement and remaining amount had been transferred to distribution statement.

The calculation of element of income and capital gains included in the price of units issued less those in the units redeemed and its bifurcation between reserve and income statement is based on prevailing NAV on the date of transaction of sale and redemption and initial offer price.

Based on the proposal by the Mutual Fund Association of Pakistan (MUFAP) regarding the change in the treatment of "Element of Income and Capital Gains included in the prices of units issued less those on units redeemed" and subsequent directive dated 09 June 2011 by SECP , the Management Company of the Fund has revised the calculation to estimate element of income and capital gains included in the price of units issued less those in the units redeemed based on NAV comparison and decided to recorded full amount directly into distribution statement effective from 1 July 2011.

The above change does not have any impact on the NAV of the Fund. However, had the change in estimate not been made the undistributed income carried forward as on 30 June 2012 would have been higher by Rs. 0.62 million.

# NAFA ISLAMIC MULTI ASSET FUND

## 3.11 Earnings per unit

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

## 3.12 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.
- Unrealised gains / (losses) arising on marking to market 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.
- Dividend income is recognised when the right to receive the payment is established.

Profit on bank deposits, investments in debt securities and income from government securities is recognised using the effective interest method.

- Income on issue and redemption of units is recognised when units are issued and redeemed on the transaction date.

## 3.13 Cash and cash equivalents

Cash and cash equivalent comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an in significant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

## 3.14 Foreign currency translation

Transactions in foreign currencies are translated into Rupees at rates of exchange on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange ruling on the balance sheet date. All other exchange differences are charged to income statement.

	Note	2012	2011
		(Rupees in '000)	
<b>4</b>			
<b>BALANCES WITH BANKS</b>			
Current accounts	4.1	17,007	16,663
Savings accounts		<u>60,817</u>	<u>18,103</u>
		<u>77,824</u>	<u>34,766</u>
4.1	These accounts carry profit at rates ranging from 5% to 11% (2011: 5% to 12%) per annum.		
<b>5</b>			
<b>INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Investment in shares of listed companies	5.1	134,096	143,451
<b>Available for sale</b>			
Sukuk bonds	5.2	<u>66,148</u>	<u>101,675</u>
		<u>200,244</u>	<u>245,126</u>



# NAFA ISLAMIC MULTI ASSET FUND

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

Name of the investee company	As at July 1, 2011	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2012	Market value at June 30, 2012	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid-up capital of the investee company held
	----- Number of shares -----					Rupees in '000	----- % -----		
<b>Oil and Gas</b>									
Attock Petroleum Limited	11,250	9,800	-	21,000	50	24	0.01	0.01	-
Attock Refinery Limited	-	10,700	-	10,700	-	-	-	-	-
National Refinery Limited	20,000	10,500	-	30,500	-	-	-	-	-
Oil and Gas Development Company Limited	65,600	176,100	-	241,500	200	32	0.01	0.02	-
Pakistan Oil Fields Limited	77,260	154,200	-	186,400	45,060	16,534	6.17	8.26	0.02
Pakistan Petroleum Limited	100,152	348,700	2,905	370,900	80,857	15,225	5.68	7.60	0.01
Pakistan State Oil Company Limited	35,500	75,060	-	110,560	-	-	-	-	-
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	228,800	669,500	-	898,300	-	-	-	-	-
Fauji Fertilizer Company Limited	190,212	386,700	31,356	509,200	99,068	11,002	4.10	5.49	0.01
Lotte Pakistan PTA Limited	200	-	-	200	-	-	-	-	-
Sitara Chemical Industries	-	77,835	-	1,660	76,175	8,002	2.98	4.00	0.36
<b>Construction and Materials</b>									
Attock Cement Pakistan Limited	-	40,000	-	5,064	34,936	2,845	1.06	1.42	0.04
D.G. Khan Cement Company Limited	-	597,000	-	400,700	196,300	7,730	2.88	3.86	0.04
Lucky Cement Company Limited	-	339,200	-	151,300	187,900	21,682	8.08	10.83	0.06
<b>General Industrials</b>									
Ghani Glass Limited	-	114,280	-	-	114,280	6,532	2.44	3.26	0.11
Packages Limited	-	-	-	-	-	-	-	-	-
Thal Limited	30,557	-	3,708	17,450	16,815	1,564	0.58	0.78	0.03
Tri-Pack Films Limited	200	-	-	200	-	-	-	-	-
<b>Industrial Engineering</b>									
Al-Ghazi Tractors Limited	49	16,088	-	49	16,088	3,304	1.23	-	-
Millat Tractors Limited	-	16,489	-	16,450	39	19	0.01	0.01	-
<b>Automobile and Parts</b>									
Indus Motor Company Limited	-	-	-	-	-	-	-	-	-
<b>Food Producers</b>									
Unilever Pakistan Limited	989	-	-	-	989	7,001	2.61	3.50	0.01
<b>Personal Goods</b>									
Nishat Mills Limited	-	-	-	-	-	-	-	-	-
<b>Fixed Line Telecommunication</b>									
Pakistan Telecommunication Company Limited	200	340,000	-	337,200	3,000	41	0.02	0.02	-
<b>Electricity</b>									
The Hub Power Company Limited	396,500	1,113,760	-	942,500	567,760	23,783	8.87	11.88	0.05
Kot Addu Power Company Limited	-	-	-	-	-	-	-	-	-
<b>Gas Water and Multiutilities</b>									
Sui Northren Gas Pipelines Limited	-	-	-	-	-	-	-	-	-
Sui Southren Gas Company Limited	-	-	-	-	-	-	-	-	-
<b>Banks</b>									
Meezan Bank Limited	164,450	191,422	36,357	88,821	303,408	8,774	3.27	4.38	0.04
Bank Islami Pakistan Limited	-	417,200	-	417,000	200	2	-	-	-
						<u>1,743,125</u>	<u>134,096</u>	<u>50.00</u>	<u>65.32</u>
Carrying value as at 30 June 2012						<u>124,528</u>			

5.1.1 All shares have a nominal face value of Rs 10 each except for the shares of Thal Limited and Al-Ghazi Tractors Limited which have a face value of Rs 5 each and Unilever Pakistan Limited which has a face value of Rs.50 each.

5.1.2 The above investments include securities with market value aggregating to Rs.41.944 million (2011: 59.386 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated 23 October 2007 issued by SECP.

# NAFA ISLAMIC MULTI ASSET FUND

## 5.2 Sukuk bonds - available for sale

Name of the investee company	Number of bonds				Market value / carrying value as at 30 June 2012 (Refer note 5.4)	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of issue size of sukuk held
	As at July 1, 2011	Purchases during the year	Sales during the year	As at June 30, 2012				
(Rupees in '000)								
Eden Housing Limited (Note 5.2.2.1)	5,000	-	-	5,000	9,465	3.53%	4.73%	3.42%
Eden Builders Limited	1,325	-	-	1,325	2,861	1.07%	1.43%	0.33%
Kohat Cement Company Limited	10,000	-	-	10,000	11,142	4.15%	5.56%	2.00%
Maple Leaf Cement Factory Limited (1st Issue) (Note 5.2.2.2)	10,000	-	-	10,000	27,442	10.23%	13.70%	0.63%
Maple Leaf Cement Factory Limited (2nd issue) (Note 5.2.2.3)	375	-	-	375	-	0.00%	0.00%	0.63%
Pakistan Electron Limited (Note 5.2.2.4)	10,000	-	-	10,000	15,238	5.68%	7.61%	4.17%
					<b>66,148</b>	<b>24.66%</b>	<b>33.03%</b>	
Carrying value as at 30 June 2012					<u>97,444</u>			
Provision for Impairment loss as at 30 June 2012					<u>35,583</u>			

\* In case of debt securities against which provision has been made, these are carried at amortised cost less provision

### 5.2.1 Significant terms and conditions of sukuk bonds outstanding as at June 30, 2012 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
<b>Sukuk bonds</b>	2,906	2.5% + 6 Month KIBOR	29 March 2008	29 September 2014
Eden Housing Limited	2,188	2.3% + 3 Month KIBOR	08 September 2008	08 March 2014
Eden Builders Limited	1,510	2.5% + 6 Month KIBOR	20 December 2007	20 December 2015
Kohat Cement Company Limited				
Maple Leaf Cement Factory Limited (1st Issue)	4,989	1% + 3 Month KIBOR	03 December 2007	03 December 2018
Maple Leaf Cement Factory Limited (2nd issue)	5,000	1% + 3 Month KIBOR	31 March 2010	31 March 2012
Pakistan Electron Limited	2,143	1.75% + 3 Month KIBOR	28 September 2007	28 September 2012

### 5.2.3 All sukuk bonds have a face value of Rs 5,000 each.

### 5.2.2 Fair value of all performing listed term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

5.2.2.1 This represents investment in privately placed sukuk bonds issue with a term of five years. On 31 March 2011 and 29 June 2011 i.e. the scheduled redemption date, principal redemption of Rs. 0.938 million were not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 30 June 2012 amounted to Rs. 0.539 million.

5.2.2.2 This represent investment in privately placed Sukuk Certificates issued with a term of six years. During the year ended ,the status of these Sukuk Certificates again has been changed from performing to non-performing (performing as at 30 June 2011). The coupon payment amounting to Rs. 0.0011 million on Maple Leaf Sukuk I was due on 03 September 2011 which was not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 30 June 2012 amounted to Rs. 4.769 million.

5.2.2.3 This represent investment in Maple Leaf privately placed sukuk bonds II. The coupon payment on Maple Leaf Sukuk II was due on 29 June 2010 amounting to Rs. 0.54 million was not received by the Fund. Therefore as a matter of prudence, the management has classified as non-performing. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 30 June 2012 amounted to Rs. 0.061 million.

5.2.2.4 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 0.8 million was not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 30 June 2012 amounted to Rs. 1.493 million.

# NAFA ISLAMIC MULTI ASSET FUND

	Note	2012	2011
(Rupees in '000)			
<b>5.3 Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss' - net</b>			
Market value of investments	5.1	134,096	143,451
Carrying value of investments		124,528	133,346
		<u>9,568</u>	<u>10,105</u>
<b>5.4 Net unrealised appreciation / (diminution) on remeasurement investments classified as 'available for sale'</b>			
Market value of investments	5.2	66,148	101,675
Carrying value of investments		97,444	130,522
		<u>(31,296)</u>	<u>(28,847)</u>
<b>Provision against non-performing sukuk</b>			
Balance as at 1 July, 2011		7,314	21,010
Provision / (reversal) made during the year		28,269	(13,696)
Balance as at 30 June, 2012		<u>35,583</u>	<u>7,314</u>
		<u>4,287</u>	<u>(21,533)</u>
<b>5.5 Movement in provision against non-performing sukuk</b>			
Balance as at 1 July, 2011		7,314	21,010
Provision / (reversal) made during the year		28,269	(13,696)
Balance as at 30 June, 2012		<u>35,583</u>	<u>7,314</u>
<b>6 DIVIDEND AND PROFIT RECEIVABLE</b>			
Dividend receivable on equity securities		1	665
Profit on savings deposits		1,023	293
Income accrued on sukuk bonds - net		5,047	9,236
		<u>6,071</u>	<u>10,194</u>
<b>7 ADVANCE, DEPOSITS AND OTHER RECEIVABLE</b>			
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Receivable against transfer sales		-	21
Advance tax		32	32
		<u>2,632</u>	<u>2,653</u>
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Balance as at the beginning of the year		660	1,160
Less: Amortisation during the year	8.1	500	500
Balance as at the end of the year		<u>160</u>	<u>660</u>
<b>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 October 27, 2007 as per the requirements set out in the Trust Deed of the Fund.</b>			
<b>9 PAYABLE TO THE NBP FULLERTON ASSET MANAGEMENT LIMITED</b>			
Management fee	9.1	656	721
Sindh sales tax	9.1	105	-
Front end load and others		269	147
		<u>1,030</u>	<u>868</u>
<b>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. The Management Company has charged its remuneration at the rate of three percent per annum for the current year. The remuneration is paid monthly in arrears.</b>			

During the current year, the Sindh government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. Accordingly, the Management fee charged during the year inclusive of General Sales Tax.

# NAFA ISLAMIC MULTI ASSET FUND

	Note	2012	2011
		(Rupees in '000)	
<b>10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED</b>			
Trustee fee	10.1	60	61
CDS charges		57	51
		<u>117</u>	<u>112</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 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 30 June 2012 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.

## 11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

11.1 Under the provisions of the NBFC Regulations, an income scheme is required to pay an annual fee to SECP at an amount equal to 0.085 percent of the average annual net assets of the fund.

	Note	2012	2011
		(Rupees in '000)	
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		251	252
Brokerage payable		273	93
Bank charges payable		8	57
Payable against printing charges		119	183
Accrued NCCS charges		16	34
Charity payable	12.1	471	322
Others		8	3
Provision for Workers' Welfare Fund	16	2,664	2,637
		<u>3,810</u>	<u>3,581</u>

12.1 In accordance with the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby the portion of the investment of the investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the year, Rs.76 thousand (2011: Rs. 254 thousand) has been given out to charitable institutions.

## 13 CONTINGENCY AND COMMITMENT

There is no contingency and commitment outstanding as at 30 June 2012.

## 14 NET ASSETS 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.

	2012	2011
	(Rupees in '000)	
<b>15 AUDITORS' REMUNERATION</b>		
Audit fee	231	231
Half yearly review fee	92	92
Out of pocket expenses	36	30
	<u>359</u>	<u>353</u>

# NAFA ISLAMIC MULTI ASSET FUND

## 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 Honourable 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.

During 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.

Furthermore, in 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.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2012. As at 30 June 2012 the management has maintained provision against Workers' Welfare Funds' amounting to Rs. 2.664 million, if the same were not made the NAV per unit of the Fund would have been higher by Rs. 0.1024.

## 17 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital Banking Finance Companies and unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. No distribution to unit holders out of the income for the year ended 30 June 2012 has been declared and no tax provision has been made in these financial statements for the year ended 30 June 2012, as the Fund suffered accounting loss after reduction of unrealized and realized capital gain out of income for the year ended as required by respective regulation and clause.

## 18 NON-COMPLIANCE WITH THE CIRCULAR AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 06 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Management Company classified NAFA Islamic Multi Asset Fund (the Fund) as 'Shariah Compliant (Islamic) Scheme' and 'Balanced Scheme' in accordance with the said circular. As at 30 June 2012, the Fund is compliant with all the requirements of the said circular except for clause 2(iv) which requires that rating of any debt security in the portfolio shall not be lower than A- (A minus). Non compliance of the said circular are as follows:

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
----- Rupees in '000 -----						
i) Investment in debt securities	a) Maple Leaf Cement Factory Limited - Sukuk *	49,894	22,452	27,442	10.23%	9.56%
	b) Maple Leaf Cement Factory Limited - Sukuk (2nd issue) *	1,875	1,875	-	0.00%	0.00%
	c) Kohat Cement Company Limited - Sukuk **	11,142	-	11,142	4.15%	3.88%
	d) Eden Housing Limited - Sukuk *	14,531	5,066	9,465	3.53%	3.30%
	e) Pak Electron Limited - Sukuk *	21,429	6,191	15,238	5.68%	5.31%

\* At the time of purchase, the said Sukuks were in compliance of the said circular (i.e. investment grade) and were subsequently downgraded due to default in payments of due principal and markup.

\*\* Book value, performing but below A- (A minus)

# NAFA ISLAMIC MULTI ASSET FUND

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

	-----as on June 30, 2012-----			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	----- Rupees in '000 -----			
<b>Assets</b>				
Balances with banks	77,824	-	-	77,824
Investments	-	134,096	66,148	200,244
Dividend and Profit receivable	6,071	-	-	6,071
Deposits	2,600	-	-	2,600
	86,495	134,096	66,148	286,739

	-----as on June 30, 2012-----			
		Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company		-	1,030	1,030
Payable to the Trustee		-	117	117
Payable against purchase of investments		-	13,562	13,562
Accrued expenses and other liabilities		-	1,146	1,146
		-	15,855	15,855

	-----as on June 30, 2011-----			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	----- Rupees in '000 -----			
<b>Assets</b>				
Balances with banks	34,766	-	-	34,766
Receivable against sale of investments	2,945	-	-	2,945
Investments	-	143,451	101,675	245,126
Dividend and Profit receivable	10,194	-	-	10,194
Deposits	2,621	-	-	2,621
	50,526	143,451	101,675	295,652

	-----as on June 30, 2011-----			
		Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company		-	868	868
Payable to the Trustee		-	112	112
Payable against purchase of investments		-	2,945	2,945
Accrued expenses and other liabilities		-	944	944
		-	4,869	4,869

## 20 TRANSACTIONS WITH CONNECTED PERSONS

20.1 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 (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, Taurus Securities being subsidiary of NBP - the sponsor, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

20.2 The transactions with connected persons are at contracted rates and terms determined in accordance with market rates.

# NAFA ISLAMIC MULTI ASSET FUND

20.3 Remuneration payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

20.4 Remuneration to the Trustee is determined in accordance with the provisions of the Trust Deed.

	For the year ended 30 June 2012	For the year ended 30 June 2011
	(Rupees in '000)	
<b>20.5 Details of transactions with connected persons are as follows:</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management fee for the year	7,814	9,045
Sindh sales tax on management fee	1,250	
Front end load for the year	501	176
<b>National Bank of Pakistan - Sponsor</b>		
Cash dividend	12,775	13,145
<b>Taurus Securities (Private) Limited</b>		
Brokerage	76	94
<b>Alexandra Fund Management Pte. Limited</b>		
Units redeemed / transferred out Nil units (2011: 4,181,825 units)	-	40,000
Bonus Units Issued (1,416,412 units, 2011; 1,752,350 units)	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee for the year	700	711
CDS charges	23	57
<b>Employees of the Management Company</b>		
Units issued / transferred in 12,275 units (2011: 4,811 units)	131	50
Units redeemed / transferred out 12,275 units (2011: 4,811 units)	131	50
Bonus Units Issued (299 units; 2011; 263 units)	-	-
	<b>2012</b>	<b>2011</b>
	(Rupees in '000)	

20.6 Balances at year end

<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management Fee payable	656	721
Sindh Sales tax on management fee	105	-
Front end load payable	269	147
<b>National Bank of Pakistan</b>		
Investment held by the Sponsor in the Fund 7,500,000 units (2011: 7,500,000 units)	77,324	81,054
Balance in current account	20	400
<b>Taurus Securities (Private) Limited</b>		
Brokerage Payable	-	14
<b>Alexandra Fund Management Pte. Limited</b>		
Investment held by the Sponsor in the Fund 8,986,937 units (2011:7,570,525 units)	92,654	81,816
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	60	61
CDS charges payable	57	51
Security deposit	100	100
<b>Employees of the Management Company</b>		
Units held in the Fund 1,898 units (2011: 1,599 units)	20	17

# NAFA ISLAMIC MULTI ASSET FUND

## 21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

As at June 30, 2012

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	24
2	Sajjad Anwar*	CFA / MBA Finance	12
3	Ahmed Nouman	CFA / EMBA	16
4	Tanvir Abid	CFA / MBA / FRM	13

\* Sajjad Anwar is the Fund Manager of the Fund. He is also the Fund Manager of NAFA Multi Asset Fund and NAFA Stock Fund.

## 22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

2012

1	Taurus Securities Limited	10.86%
2	Aqeel Karim Dhedi Securities (Pvt) Limited	6.64%
3	Foundation Securities	6.03%
4	Habib Metropolitan Financial Services	4.73%
5	Next Capital Limited	4.28%
6	KASB Securities Limited	4.23%
7	Elixir Securities Pakistan (Private) Limited	4.21%
8	Invest & Finance Securities (Pvt) Limited	4.01%
9	Al Habib Capital Markets (Pvt) Limited	3.89%
10	Top Line Securites (Pvt) Limited	3.87%

2011

1	KASB Securities Limited	8.79%
2	Taurus Securities Limited	8.54%
3	Foundation Securities	7.91%
4	Next Capital Limited	6.21%
5	Fortune Securities (Private) Limited	5.51%
6	Invisor Securities (Private) Limited	5.47%
7	Elixir Securities Pakistan (Private) Limited	5.26%
8	Habib Metropolitan Financial Services	4.94%
9	JS Global Capital Limited	4.81%
10	AKD Securities Limited	4.62%

## 23 PATTERN OF UNIT HOLDING

30 June 2012

Category	Number of unit holders	Investment	Percentage investment
------(Rupees in '000)-----			
Individuals	244	35,253	13.14%
Associated Companies / Directors	2	169,978	63.38%
Insurance Companies	2	2,641	0.98%
Banks / DFIs	-	-	-
NBFC	-	-	-
Retirement Fund	7	13,447	5.01%
Public Limited Companies	-	-	-
Others	2	46,872	17.48%
	<u>257</u>	<u>268,191</u>	<u>100.00%</u>

30 June 2011

Category	Number of unit holders	Investment amount	Percentage investment
------(Rupees in '000)-----			
Individuals	299	37,481	12.99%
Associated Companies / Directors	2	162,870	56.44%
Insurance Companies	2	34,969	12.12%
Banks / DFIs	-	-	-
NBFC	-	-	-
Retirement Fund	7	11,872	4.11%
Public Limited Companies	-	-	-
Others	2	41,390	14.34%
	<u>312</u>	<u>288,582</u>	<u>100.00%</u>



# NAFA ISLAMIC MULTI ASSET FUND

## 24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

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

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

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

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

## 25 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, investment-grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

### 25.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

#### *Management of market 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 Board of Directors and regulations laid down by SECP.

#### 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 its operations are geographically restricted to Pakistan and 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.

# NAFA ISLAMIC MULTI ASSET FUND

## a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2012, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.862 million (2011: Rs 0.912)

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Further, in case of variable instruments, the sensitivity analysis has been performed from the last repricing date. Accordingly, the sensitivity analysis prepared as of 30 June 2012 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

Presently, the Fund holds no fixed rate instruments.

### Yield / Interest Rate Risk

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

Yield / interest rate (%)	Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
		Upto three months	Over three months and upto one year	Over one year	

(Rupees in '000)

#### On-balance sheet financial instruments

##### Financial Assets

Balances with banks	5.00 - 11.00	77,824	60,817	-	-	17,007
Investments	11.85 - 16.15	200,244	2,861	11,142	-	186,241
Dividend and profit receivables	-	6,071	-	-	-	6,071
Deposits	-	2,600	-	-	-	2,600
<b>Sub-total</b>		<b>286,739</b>	<b>63,678</b>	<b>11,142</b>	<b>-</b>	<b>211,919</b>

##### Financial Liabilities

Payable to the Management Company	-	1,030	-	-	-	1,030
Payable to the Trustee	-	117	-	-	-	117
Payable against purchase of investments	-	13,562	-	-	-	13,562
Accrued expenses and other liabilities	-	1,146	-	-	-	1,146
<b>Sub-total</b>		<b>15,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,855</b>

#### On-balance sheet gap

	270,884	63,678	11,142	-	196,064
--	---------	--------	--------	---	---------

#### Off-balance sheet financial instruments

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

#### Off-balance sheet gap

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

Yield / interest rate (%)	Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
		Upto three months	Over three months and upto one year	Over one year	

(Rupees in '000)

#### On-balance sheet financial instruments

##### Financial Assets

Balances with banks	5.00 - 12.00	34,766	18,103	-	-	16,663
Receivable against sale of investments	-	2,945	-	-	-	2,945
Investments	13.29-16.15	245,126	-	-	101,675	143,451
Dividend and profit receivables	-	10,194	-	-	-	10,194
Deposits	-	2,621	-	-	-	2,621
<b>Sub-total</b>		<b>295,652</b>	<b>18,103</b>	<b>-</b>	<b>101,675</b>	<b>175,874</b>

##### Financial Liabilities

Payable to the Management Company	-	868	-	-	-	868
Payable to the Trustee	-	112	-	-	-	112
Payable on redemption of units	-	2,945	-	-	-	2,945
Accrued expenses and other liabilities	-	944	-	-	-	944
<b>Sub-total</b>		<b>4,869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,869</b>

#### On-balance sheet gap

	290,783	18,103	-	101,675	171,005
--	---------	--------	---	---------	---------

#### Off-balance sheet financial instruments

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

#### Off-balance sheet gap

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

# NAFA ISLAMIC MULTI ASSET FUND

## 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.

### a) Sensitivity analysis for equity instruments classified as 'Available for Sale'

Presently, the Fund holds no equity instruments classified as 'available for sale'.

### b) Sensitivity analysis for equity instruments at 'Fair value through Profit or Loss'

Presently, the Fund holds equity instruments at 'fair value through profit or loss' that expose the Fund to cash flow price risk. In case 5% increase / decrease in Karachi Stock Exchange at 30 June 2012, the net assets of the Fund and net income for the year would have been higher / lower by Rs 6.705 million (2011: Rs 7.402 million).

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 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 30 June 2012 is not necessarily indicative of the effect on the Fund's net assets of future movement in the level of the KSE 100 index.

## 25.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon.

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.

### *Management of credit risk*

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. The IC closely monitors the credit worthiness of the Fund's counterparties (e.g., issuer of the instruments, brokers, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks.

### *Concentration of the 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 assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The analysis below summarises the credit quality of the Fund's financial assets as at 30 June 2012 and 30 June 2011.

Bank Balances by rating category	2012	2011
	(Rupees in '000)	
A1+, A-1+	17,744	17,550
A1, A-1	60,074	188
A2, A-2	5	17,028
<b>Sukuk by rating category</b>	<b>2012</b>	<b>2011</b>
A, A-, A+	2,861	25,724
BBB, BBB+, BBB-, BB, BB+	-	31,316
D	52,145	12,374
Non-rated	11,142	32,261

The maximum exposure to credit risk before any credit enhancement as at 30 June 2012 is the carrying amount of the financial assets.

# NAFA ISLAMIC MULTI ASSET FUND

## 25.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

### *Management of liquidity risk*

The Fund is exposed 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 and are considered readily realisable.

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.

### *Maturity analysis for financial liabilities*

The table below analyses the Fund's 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:

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	----- June 30, 2012-----			
	Total	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees in '000)-----			
<b>Liabilities</b>				
Payable to the Management Company	1,030	1,030	-	-
Payable to the Trustee	117	117	-	-
Payable against purchase of investments	13,562	13,562	-	-
Accrued expenses and other liabilities	1,146	1,146	-	-
	<u>15,855</u>	<u>15,855</u>	<u>-</u>	<u>-</u>
	----- June 30, 2011-----			
	Total	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees in '000)-----			
<b>Liabilities</b>				
Payable to the Management Company	868	868	-	-
Payable to the Trustee	112	112	-	-
Payable on redemption of units	2,945	2,945	-	-
Accrued expenses and other liabilities	944	944	-	-
	<u>4,869</u>	<u>4,869</u>	<u>-</u>	<u>-</u>

## 26 UNIT HOLDERS' FUND RISK MANAGEMENT

The units 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' funds 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.

# NAFA ISLAMIC MULTI ASSET FUND

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, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date. The Fund does not hold any securities that are based on quoted market prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 1 of 2009 dated January 6, 2009 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its value is determined by applying discount in accordance with Circular No. 1 of 2009 issued by the SECP.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	-----As at June 30, 2012-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
<b>ASSETS</b>				
Investment in listed equity securities - held for trading	134,096	-	-	134,096
Investment in securities - available for sale	-	14,003	52,145	66,148
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-----As at June 30, 2011-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
<b>ASSETS</b>				
Investment in listed equity securities - held for trading	143,451	-	-	143,451
Investment in securities - available for sale	-	89,302	12,373	101,675
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The reconciliation of provision in respect of level 3 is stated in note 5.5 to the financial statements.

# NAFA ISLAMIC MULTI ASSET FUND

## 28 DATE OF AUTHORISATION FOR ISSUE

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

## 29 GENERAL

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC MULTI ASSET FUND

## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010	For the year ended June 30, 2009	For the period from September 17, 2007 to June 30, 2008
Net assets at the year / period ended (Rs '000)	268,191	288,582	387,112	535,384	697,586
Net gain / (loss) for the year / period ended (Rs '000)	1,380	74,783	54,422	(51,713)	(33,878)
Net Asset Value per unit at the year / period ended (Rs)	10.3099	9.1039	8.8485	8.5736	9.5360
Offer price per unit	10.6192	9.3770	9.1140	8.8308	9.8221
Redemption price per unit	10.3099	9.1039	8.8485	8.5736	9.5360
Highest offer price per unit (Rs)	10.9870	9.6503	9.4969	9.7562	10.7612
Lowest offer price per unit (Rs)	9.2356	7.2660	7.8712	6.2801	9.5581
Highest redemption price per unit (Rs)	10.6670	9.3692	9.2203	9.4720	10.4478
Lowest redemption price per unit (Rs)	8.9666	7.0544	7.6420	6.0972	9.2797
Total return of the fund	13.25%	28.44%	17.46%	-10.09%	-4.64%
- capital growth	13.25%	3.19%	3.21%	-10.09%	-4.64%
- income distribution	0.00%	25.25%	14.25%	0.00%	0.00%
Distribution					
Interim distribution per unit (Rs)	-	0.5310	-	-	-
Final distribution per unit (Rs)	-	1.7033	1.2217	-	-
Distribution Dates					
Interim	-	Feb 18, 2011 - April 19, 2011	-	-	-
Final	-	4-Jul-11	5-Jul-10	-	-
Average annual return of the fund (launch date October 29, 2007)					
(Since inception to June 30, 2012)	46.48%				
(Since inception to June 30, 2011)		29.34%			
(Since inception to June 30, 2010)			0.70%		
(Since inception to June 30, 2009)				-14.26%	
(Since inception to June 30, 2008)					-4.64%
Portfolio Composition ( Please see Fund Manager Report)					
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up					

BLANK