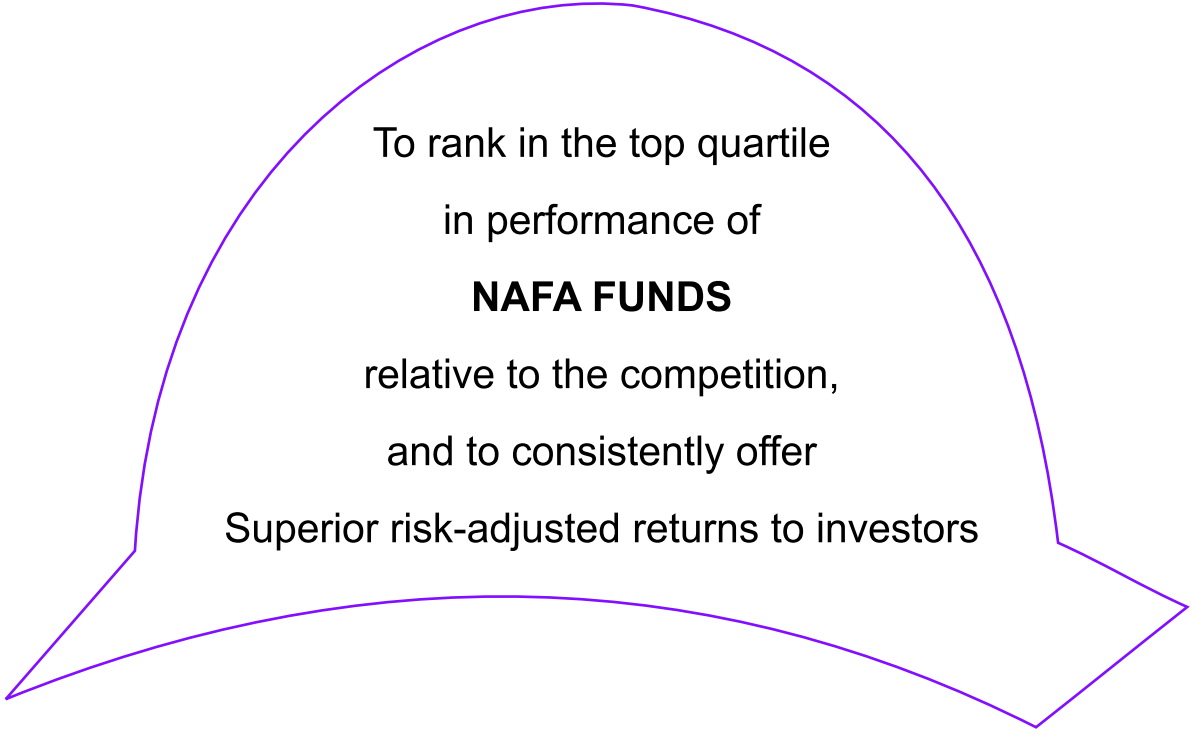

NAFA Cash Fund

MISSION STATEMENT



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

NAFA Cash Fund

FUNDS' INFORMATION

Management Company

NBP Fullerton Asset Management Limited - Management Company
(Formerly National Fullerton Asset Management Limited)

Board of Directors of the Management Company

Mr. Qamar Hussain	Chairman
Mr. Shahid Anwar Khan	Director
Mr. Gerard Lee How Cheng	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Farooque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Farooque	Member

Trustee

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

Bankers to the Fund

Allied Bank Limited
Arif Habib Bank Ltd.
Askari Bank Limited
Atlas Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
My Bank Limited
National Bank of Pakistan
NIB Bank Limited
Saudi Pak Commercial Bank Ltd.
Soneri Bank Limited
Standard Chartered Bank (PAK) Ltd.
The Bank of Khyber
The Bank of Punjab
Royal Bank of Scotland Limited
United Bank Limited
SAMBA Bank Limited

NAFA Cash Fund

Auditors

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

Legal Advisor

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

Head Office

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

Lahore Office :

68-B-1, M.M. Alam Road,
Gulberg 3, Lahore.
Uan: 042-111-111-632
Phone No. 042-35778248-63
Fax: 042-35876806

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, Peshwar.
Phone No. 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

82 Khan Centre Near SP Chowk
Abdali Road, Multan Cantt,
Multan.

NAFA Cash Fund

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NAFA Cash Fund

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present the Fifth Annual Report of **NAFA Cash Fund** for the year ended June 30, 2010.

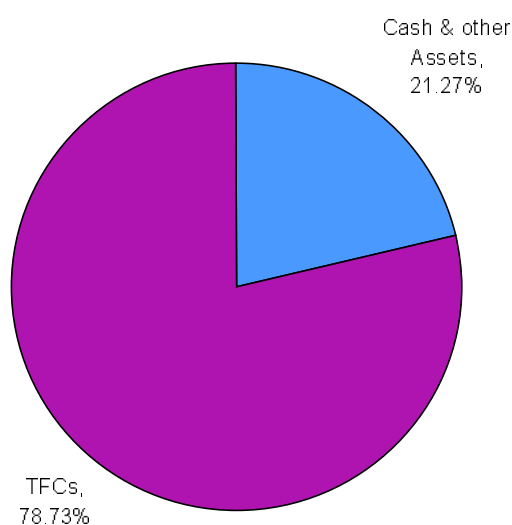
Fund's Performance

The prices of the TFCs, which constitute about 79% of the Fund's assets, remained depressed in FY 2009-10 as well due to the overall macro-economic situation and liquidity conditions. Higher than normal interest rate and inflation, excessive government borrowing, rising circular debt, widening fiscal deficit and ongoing war on terror has impacted various industrial sectors. Consequently, several TFCs/ Sukuks had to be re-scheduled during the year. The depressed TFC prices have resulted in the yield to maturity on the TFC portfolio in the Fund rising to an attractive 19.53 % per annum. The Fund Size of NAFA Cash Fund has dropped to Rs.3,915 million by June 30, 2010.

The annualized return on NAFA Cash Fund for FY 2009-10 was 5.81% as compared to its benchmark return (1-Month KIBOR) of 12.44%.

NAFA Cash Fund has earned a total income of Rs.631.19 million during the year. After deducting total expenses of Rs.346.19 million, the net income is Rs.285 million. During the year, the unit price of NAFA Cash Fund has increased from Rs.9.3269 on June 30, 2009 (Ex-Div) to Rs.9.8692 on June 30, 2010. The resultant per unit gain is Re.0.5423.

The asset allocation of NAFA Cash Fund as on June 30, 2010 is as follows:



NAFA Cash Fund

Income Distribution

During the year, the Board of Directors of the Management Company approved interim distribution of 6.00% of opening ex-NAV (5.937% of the par value).

Taxation

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

Auditors

Messrs A. F. Ferguson & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs KPMG Taseer Hadi & Co. Chartered Accountants, for the year ending June 30, 2011.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company of NAFA Cash Fund, 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 NAFA Cash Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon NAFA Cash 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 26 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 25 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 22 to these financial statements.

NAFA Cash 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
(formerly: National Fullerton Asset Management Limited)

Dr. Amjad Waheed, CFA
Chief Executive

Qamar Hussain
Chairman

Date: August 25, 2010
Place: Karachi.

NAFA Cash Fund

TRUSTEE REPORT TO THE UNITS HOLDERS

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

NAFA Cash Fund (the Fund), an open-end scheme was established under a trust deed dated February 11, 2006 executed between National Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the following:

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

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

September 06, 2010

NAFA Cash Fund

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of six non-executive directors including two independent directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred during the year in the Board of the Management Company due to resignation of Syed Naseer ul Hassan and Mr. Raymond H. Kotwal were filled by Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque on May 17, 2010.
5. The Management Company has adopted a “Code of Business Ethics and Business Practices”, which has been acknowledged by all the directors and distributed to employees of the Management Company.
6. The Board has developed a vision/mission statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.

NAFA Cash Fund

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. All the members of Board are well aware of operations of the Fund and Management Company, therefore no orientation courses were arranged during the year.
11. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
12. Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 22 to the financial statements "Transactions with Connected Persons".
15. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
16. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.
18. There exists an effective internal audit function within the Management Company. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan

NAFA Cash Fund

20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Dated: September 14, 2010
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA Cash Fund

FUND MANAGER REPORT

NAFA Cash Fund

NAFA Cash Fund (NCF) is an open-end Income Scheme.

Investment Objective of the Fund

The objective of NCF is to seek preservation of capital and earn a reasonable rate of return via investing in money market and debt securities with investment-grade rating, CFS and spread transactions.

Benchmark

1 Month - KIBOR

Fund's Performance Review

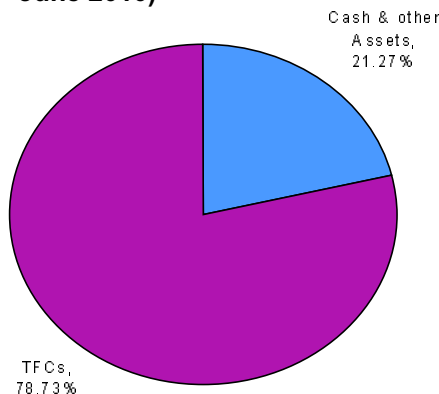
This is the fifth Annual report since the launch of the Fund on April 22, 2006. The Fund size as on June 30, 2010 is Rs. 3.92 billion. The Fund's annualized return since inception is 8.06%. During the same period the benchmark return has been 11.26%. The Fund's annual return during FY 2010 is 5.81%. During the same period the benchmark return has been 12.44%.

In the TFC market, liquidity has remained tight and trading activity remained limited throughout the Fiscal year. Economic situation has not been encouraging due to fiscal imbalances, circular debt, risk aversion and high interest rates. This kept prices depressed for some corporate TFCs/Sukuks.

The slowdown in construction sector coupled with price wars and overcapacity led some TFCs/ Sukuks in your Fund to apply for restructuring, namely Maple Leaf Cement Sukuk, Kohat Cement Company Sukuk and Gharibwal Cement Ltd. TFC. Kohat Cement Sukuk has been restructured since then and is now regular on its payments, however NAFA has applied a 25% discount to its face value. Gharibwal Cement TFC has been fully provided for in the Fund and currently it is in the final stages of rescheduling. We have also provided 30% of Maple Leaf Sukuk which has been rescheduled and is now regular on its payments. Two other TFCs namely, Azgard Nine PPTFC and Agritech (formerly Pak American Fertilizer) TFC requested for restructuring due to their open foreign currency exposures and general mismanagement. NAFA has provided Azgard Nine and Agritech (formerly Pak American Fertilizer) TFCs by 30% of their respective face values (subsequent to June 30, 2010 the provision of these two TFCs has been increased to 35%). Both Azgard Nine and Agritech (formerly Pak American Fertilizer) TFCs are in advance stage of rescheduling. Since all of the above TFCs/ Sukuks have either been rescheduled or are in advance stage of rescheduling, we may see reversal of some of the provisioning in due course of time, which may help increase the NAV per unit of the Fund.

The annual Yield to Maturity of your Fund at year end FY10 is around 17.18% while that of TFC portfolio is 19.94%. The weighted average maturity of your Fund is 2.35 years. The difference between the market value and par value of TFCs/ Sukuks in NCF is presently at 12.78%. This represents the upside potential for our investors. The asset allocation of NAFA Cash Fund on June 30, 2010 is as follows:

Asset Allocation of NCF (as on 30th June 2010)



NAFA Cash Fund

Distribution for the Financial Year 2010

Interim Period / Quarter	Dividend % Par Value	Cumulative Dividend Price per unit (Rs)	Ex-dividend Price per unit (Rs)
July 01-Sep 30, 09	1.9790%	10.2268	10.0289
Oct 1-Dec 31, 09	1.9790%	10.1274	9.9295
Jan 1- Mar 31, 10	1.9790%	10.0214	9.8235

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. NAFA Cash Fund does not have any soft commission arrangement with any broker in the industry.

Following is the unit holder pattern of NAFA Cash Fund by the size of unit holdings as of June 30, 2010.

Size of Unit holding (Units)	# of Unit Holders
1 - 1000	240
1001 - 5000	368
5001 - 10000	83
10001 - 50000	224
50001 - 100000	58
100001 - 500000	59
500001 - 1000000	11
1000001 - 5000000	17
5000001 - 10000000	2
10000001 - 100000000	6
	1,068

NAFA Cash Fund

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

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

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

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

Sub-Regulation (xiii a) of Listing Regulation No. 35 notified by 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 the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2010.

A.F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: September 15, 2010

NAFA Cash Fund

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Cash Fund** which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year ended June 30, 2010 and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 misstatements.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the financial position of NAFA Cash Fund as of June 30, 2010 and of its financial performance and cash flows for the year ended June 30, 2010 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Rashid A. Jafer
Dated: September 15, 2010
Karachi.

NAFA Cash Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2010

	Note	2010	2009
		-----Rupees in '000-----	
ASSETS			
Balances with banks	4	707,537	1,595,275
Investments	5	3,082,011	5,422,447
Loans and receivables	6	-	300,000
Profit receivable	7	138,780	382,806
Advances, deposits, prepayments and other receivables	8	5,241	5,603
Preliminary expenses and floatation costs	9	403	903
Total assets		3,933,972	7,707,034
LIABILITIES			
Payable to the Management Company	10	4,352	11,702
Payable to the Trustee	11	406	744
Payable to the Securities and Exchange Commission of Pakistan	12	4,196	12,096
Payable on redemption of units		678	14,884
Accrued expenses and other liabilities	13	9,434	2,504
Total liabilities		19,066	41,930
NET ASSETS		3,914,906	7,665,104
UNIT HOLDER'S FUNDS (AS PER STATEMENT ATTACHED)		3,914,906	7,665,104
CONTINGENCIES AND COMMITMENTS			
	16		
		-----Number of units-----	
Number of units in issue		396,678,456	759,231,532
		-----Rupees-----	
NET ASSET VALUE PER UNIT	15	9.8692	10.0959

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

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Chairman

NAFA Cash Fund

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
-----Rupees in '000-----			
INCOME			
Gain / (loss) on sale of investments - net		(115)	(215,893)
Income from term finance certificates		580,895	1,089,836
Income on certificates of deposit and clean placements		-	17,410
Income from treasury bills		7,847	421
Income from Continuous Funding System (CFS) transactions		-	103,934
Income from spread transactions		-	5,387
Profit on bank deposits	14	103,298	653,451
Unrealised appreciation / (diminution) on remeasurement of investments classified as financial assets 'at fair value through profit or loss' - net		48,554	(185,086)
Total income		<u>740,479</u>	<u>1,469,460</u>
EXPENSES			
Remuneration of the Management Company	10.1	83,921	202,209
Remuneration of the Trustee	11.1	6,595	14,480
Annual fee - Securities and Exchange Commission of Pakistan	12.1	4,196	12,096
Securities transaction cost		859	3,795
Settlement and bank charges		1,185	9,449
Annual listing fee		30	30
Financial charges		-	62,062
Auditors' remuneration	17	454	422
Printing charges		708	1,478
Fund rating fee		300	150
Legal fee		819	3,633
Amortisation of preliminary expenses and floatation costs	9	500	500
Impairment loss on investments classified as 'available for sale' and 'held for trading'		237,687	261,962
Impairment loss on loans and receivables		-	4,877
Other expenses		295	-
Total expenses		<u>337,549</u>	<u>577,143</u>
Net income from operating activities		<u>402,930</u>	<u>892,317</u>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(109,287)	(754,174)
Provision for Workers' Welfare Fund	18	(8,636)	-
Net income for the year before taxation		<u>285,007</u>	<u>138,143</u>
Taxation	19	-	-
Net income for the year after taxation		<u>285,007</u>	<u>138,143</u>
Earnings per unit	20		

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

**For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)**

Chief Executive

Chairman

NAFA Cash Fund

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in '000)	
Net income for the year after taxation	285,007	138,143
Other comprehensive income		
Net unrealised diminution on re-measurement of investments classified as 'available for sale'	(81,438)	(272,534)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	50,067	-
Total comprehensive income / (loss) for the period	<u>253,636</u>	<u>(134,391)</u>

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

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Chairman

NAFA Cash Fund

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in '000)	
Undistributed income brought forward	290,606	1,684,637
Distribution:		
Final distribution for the year ended June 30, 2009: 2.00% (2008: 7.34%) (Date of distribution: July 3, 2009)		
- Cash distribution	(73,660)	(389,760)
- Bonus units	(78,184)	(1,252,063)
Interim distribution for the quarter ended September 30, 2009: 1.979% (2008: 2.85%) (Date of distribution: October 28, 2009)		
- Cash distribution	(64,874)	(206,556)
- Bonus units	(53,704)	(268,945)
Interim distribution for the half year ended December 31, 2009: 1.979% (2008: Nil) (Date of distribution: February 17, 2010)		
- Cash distribution	(52,215)	-
- Bonus units	(37,437)	-
Interim distribution for the quarter ended March 31, 2010: 1.979% (2008: 2.00%) (Date of distribution: April 29, 2010)		
- Cash distribution	(48,805)	(82,405)
- Bonus units	(31,991)	(90,952)
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' funds	64,071	758,507
Net income for the year	285,007	138,143
Undistributed income carried forward	<u>198,814</u>	<u>290,606</u>

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

**For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)**

Chief Executive

Chairman

NAFA Cash Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in '000)	
Net assets at the beginning of the year	7,665,104	24,043,799
Issue of 199,385,021 units including bonus units (2009: 1,567,390,535 units)	1,794,173	14,016,746
Redemption of 561,938,097 units (2009: 3,039,206,821 units)	(5,667,740)	(30,336,503)
	(3,873,567)	(16,319,757)
Final distribution		
Issue of 7,900,178 bonus units for the year ended June 30, 2009: 2.00% (2008: 7.34%)	78,184	1,252,063
Interim distribution:		
Issue of 5,354,917 bonus units for the quarter ended September 30, 2009: 1.979% (2008: 2.85%)	53,704	268,945
Issue of 3,770,252 bonus units for the half year ended December 31, 2009: 1.979% (2008: Nil)	37,437	-
Issue of 3,256,617 bonus units for the quarter ended March 31, 2010: 1.979% (2009: 2.00%)	31,991	90,952
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing (accrued income) / losses and capital (gains) / losses		
- transferred to Income Statement	109,287	754,174
- amount representing income that form part of the unit holders' funds		
- transferred to Distribution Statement	(64,071)	(758,507)
	45,216	(4,333)
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	(81,438)	(272,534)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	50,067	-
Unrealised appreciation in the value of investments at 'fair value through profit or loss' - net	48,554	(185,086)
Capital gain / (loss) on sale of investments - net	(115)	(215,893)
Other net income for the year after taxation	236,568	539,122
Distribution:		
Final distribution for the year ended June 30, 2009: 2.00% (2008: 7.34%)		
- Cash distribution	(73,660)	(389,760)
- Bonus units	(78,184)	(1,252,063)
Interim distribution for the quarter ended September 30, 2009: 1.979% (2008: 2.85%)		
- Cash distribution	(64,874)	(206,556)
- Bonus units	(53,704)	(268,945)
Interim distribution for the half year ended December 31, 2009: 1.979% (2008: Nil)		
- Cash distribution	(52,215)	-
- Bonus units	(37,437)	-
Interim distribution for the quarter ended March 31, 2010: 1.979% (2009: 2.00%)		
- Cash distribution	(48,805)	(82,405)
- Bonus units	(31,991)	(90,952)
	(155,863)	(2,152,538)
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' funds	64,071	758,507
Net assets at the end of the year	<u>3,914,906</u>	<u>7,665,104</u>

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

**For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)**

Chief Executive

Chairman

NAFA Cash Fund

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		285,007	138,143
Adjustments			
Unrealised (appreciation) / diminution in the value of investments at 'fair value through profit or loss' - net		(48,554)	185,086
Unrealised gain on revaluation of futures sale contracts		-	-
Amortisation of preliminary expenses and floatation costs		500	500
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed		109,287	754,174
		346,240	1,077,903
(Increase) / decrease in assets			
Receivable against sale of investments		-	254,258
Investments		2,357,619	2,530,100
Loans and receivables		300,000	6,129,802
Receivable against Continuous Funding System (CFS) transactions		-	3,993,216
Dividend and profit receivable		244,026	123,260
Advances, deposits, prepayments and other receivables		362	45,445
		2,902,007	13,076,081
Increase / (decrease) in liabilities			
Payable to the Management Company		(7,350)	(15,992)
Payable to the Trustee		(338)	(1,184)
Payable to the Securities and Exchange Commission of Pakistan		(7,900)	(10,285)
Payable on redemption of units		(14,206)	(60,697)
Accrued expenses and other liabilities		6,930	(23,145)
		(22,864)	(111,303)
Net cash inflow from operating activities		3,225,383	14,042,681
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issue of units		1,794,173	14,016,746
Payments on redemption of units		(5,667,740)	(30,336,503)
Distributions paid		(239,554)	(678,721)
Net cash outflow on financing activities		(4,113,121)	(16,998,478)
Net decrease in cash and cash equivalents during the year		(887,738)	(2,955,797)
Cash and cash equivalents at the beginning of the year		1,595,275	4,551,072
Cash and cash equivalents at the end of the year	4	707,537	1,595,275

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

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Chairman

NAFA Cash Fund

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Cash Fund (NCF) ('the Fund') was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) (formerly National Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

NCF is an open ended mutual fund and is listed on the Lahore Stock Exchange. The Fund offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund, being an income scheme, is to seek maximum preservation of capital and a reasonable rate of return by investing primarily in money market and debt securities having a good credit rating and liquidity.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2-' to the Management Company and a stability rating A+(f) to the Fund.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- (a) International Accounting Standard (IAS) 1 (revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position (referred to as the statement of assets and liabilities in these financial statements) as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present two separate performance statements. As a result, non-owner changes in equity which were previously credited directly in the statement of movement in unit holders' fund are now shown as comprehensive income in the performance statement (referred to as the statement of comprehensive income in these financial statements). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods and hence restated statement of assets and liabilities has not been presented. The adoption of this standard has resulted in increase in certain disclosures.

- (b) International Financial Reporting Standard (IFRS 7) (amendment) 'Financial instruments: Disclosures' (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment has resulted in certain additional disclosures but does not have any impact on the Fund's financial position or Performance.

NAFA Cash Fund

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

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2009:

- (a) IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular features is that apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. In this connection, Regulation 63 of the NBFC Regulations mandates the payment of 90% of the fund's income as distribution, therefore the amendment has not changed the classification of units in the financial statements.
- (b) IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Fund's financial statements.
- (c) IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from January 1, 2009). The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or Liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or to have a significant effect on the Fund's operations and are therefore not detailed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 1, 2010:

- (a) IAS 7 (Amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Fund's financial statements.
- (b) IAS 24 Related Party Disclosures (revised) (effective from January 1, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

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

2.5 Critical accounting estimates and judgments

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

- i) Classification and valuation of financial assets (note 3.1 and note 5)
- ii) Amortisation of preliminary expenses and floatation costs (note 3.4 and note 9)

2.6 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments': Recognition and Measurement'.

2.7 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.2 to the financial statements.

NAFA Cash Fund

3.1 Financial assets

3.1.1 Classification

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

b) Available for sale

These are 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) Financial assets at Fair value through profit or loss or (b) Loans and receivables.

c) Loans and receivables

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

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 asset.

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:

a) Basis of valuation of debt securities

Investment in term finance certificates and sukuk are valued in accordance with the methodology for valuation of debt securities prescribed in the SECP's circular no. 1/2009 dated January 06, 2009. Under the said directive, investment in term finance certificates and sukuk bonds are valued on the basis of traded, thinly traded and non traded securities. Accordingly, investment in debt securities have been valued at the rates determined and announced by Mutual Funds Association of Pakistan (MUFAP) based on the methodology prescribed in the said circular.

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.

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

Effective July 1, 2009, net gains and losses arising on changes in fair value of available for sale financial assets are taken to the statement of comprehensive income until the available for sale financial assets are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in other comprehensive income is reclassified from other comprehensive income to the income statement. Previously, net gains and losses arising on changes in fair value of available for sale financial assets were taken directly to the Statement of the Movement in Unit Holders' Fund until the available for sale financial assets were derecognised or impaired at which time the cumulative gain or loss recognised in Unit Holders' Fund was transferred to the income statement.

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

Gain or loss is recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

3.1.5 Spread transactions (Ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as "Investment at fair value through profit or loss" and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement in accordance with the requirements of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement".

NAFA Cash Fund

3.1.6 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. The carrying value of the Fund's assets are reviewed at each balance sheet 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 in case of held for trading financial assets. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is reclassified from the Statement of Comprehensive Income to the Income Statement.

For financial assets classified as 'loans and receivable', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to original terms. The amount of the provision is the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

Provision for non-performing debt securities is made in accordance with the criteria for provision of non-performing debt securities specified in Circular No. 1 dated January 06, 2009 and Circular No. 13 dated May 4, 2009 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

3.1.7 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.

3.1.8 Offsetting of financial assets and liabilities

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

3.2 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.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to the Management Company, payable to the Trustee, payable against redemption of units and accrued expenses and other liabilities.

3.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.4 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.

3.5 Provisions

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

3.6 Taxation

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

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

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

NAFA Cash Fund

3.7 Proposed distributions

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

3.8 Issue and redemption of units

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

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

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

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

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

3.10 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 revaluation 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.
- Income on term finance certificates, sukuk bonds and commercial papers is recognised on an accrual basis.
- Income from clean placements and Certificates of Investment is recognised on an accrual basis.
- Income on issue and redemption of units is recognised when units are issued and redeemed at the transaction date.
- Profit on bank deposits and placements is recognised on an accrual basis.

3.11 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement include balances with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.12 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss.

	Note	2010	2009
		-----Rupees in '000-----	
4	BALANCES WITH BANKS		
	Current accounts	12,091	27
	Savings accounts	695,446	995,248
	Term Deposit Receipts	-	600,000
		707,537	1,595,275

4.1 These accounts carry profit at rates ranging from 5% to 12% (2009: 1.5% to 15.5%) per annum.

NAFA Cash Fund

	Note	2010	2009
-----Rupees in '000-----			
5 INVESTMENTS			
Financial assets 'at fair value through profit or loss' - held for trading			
Equity securities - listed	5.1	-	-
Term finance certificates	5.2	383,585	1,481,667
		<u>383,585</u>	<u>1,481,667</u>
Available for sale			
Term finance certificates - listed	5.3	612,021	622,193
Term finance certificates - unlisted	5.3	1,310,450	2,064,754
Sukuk bonds	5.3	775,955	1,253,833
		2,698,426	3,940,780
		<u>3,082,011</u>	<u>5,422,447</u>

5.1 Equity securities - listed

Name of the investee company	Number of shares					Value as at June 30, 2010	Investment as a percentage of		
	As at July 01, 2009	Purchases during the year	Bonus	Sales during the year	As at June 30, 2010		Net assets	Market value of total investment	Paid-up capital of investee company

-----Number of shares-----

Fully paid ordinary shares of Rs 10 each.

Personal goods

Azgard Nine Limited (Non-voting)	308	-	-	-	308	-	-	-
					<u>308</u>	<u>-</u>	<u>-</u>	<u>-</u>

Cost of investment as at June 30, 2010

13

Impairment losses

13

5.2 Term finance certificates - Financial assets 'at fair value through profit or loss' - held for trading

Name of the investee company	As at July 1, 2009	Purchases during the period	Sales during the period	As at June 30, 2010	Market Value as at June 30, 2010	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of issue size of debt security held
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-----Number of certificates----- Rupees in '000

Azgard Nine Limited	30,000	-	30,000	-	-	-	-	-
Bank Alfalah Limited - II	128	-	-	128	629	0.02%	0.02%	0.05%
Engro Chemical Pakistan Limited	25,000	-	25,000	-	-	-	-	-
Escort Investment Bank Limited	10,000	-	-	10,000	32,747	0.84%	1.06%	10.00%
Gharibwal Cement Limited (note 5.3.3.1)	5,000	-	-	5,000	-	-	-	-
Jahangir Siddiqui & Company Limited	18,000	-	-	18,000	89,496	2.29%	2.90%	9.00%
NIB Bank Limited	37,000	-	37,000	-	-	-	-	-
Orix Leasing Pakistan Limited	50,000	-	27,000	23,000	75,566	1.93%	2.45%	4.60%
Pace (Pakistan) Limited	30,000	-	-	30,000	144,223	3.68%	4.68%	10.00%
Pak Arab Fertilizers Limited	45,000	-	45,000	-	-	-	-	-
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	40,924	1.05%	1.33%	10.00%
United Bank Limited - IV	70,000	-	70,000	-	-	-	-	-
				<u>101,128</u>	<u>383,585</u>	<u>9.81%</u>	<u>12.44%</u>	

Carrying value of investments as at June 30, 2010

360,016

Impairment losses

24,985

5.2.1 Fair value of 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.

5.2.2 All term finance certificates have a face value of Rs 5,000 each.

NAFA Cash Fund

5.3 Term finance certificates and sukuk bonds - Available for sale

Name of the investee company	As at July 1, 2009	Purchases during the period	Sales during the period	As at June 30, 2010	Market Value as at June 30, 2010	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of issue size of debt security held
-----Number of certificates-----				Rupees in '000				
Term finance certificate - listed								
Pakistan Mobile Communications (Private) Limited	85,000	-	7,000	78,000	337,350	8.62%	10.95%	9.18%
World Call Telecom Limited	45,000	-	-	45,000	210,638	5.38%	6.83%	5.63%
Allied Bank Limited	53,400	-	40,000	13,400	64,033	1.64%	2.08%	4.00%
				<u>136,400</u>	<u>612,021</u>	<u>15.64%</u>	<u>19.86%</u>	
Term finance certificate - unlisted								
Avari Hotels International	35,040	-	-	35,040	148,767	3.80%	4.83%	5.57%
Azgard Nine Limited (note 5.3.3.2)	50,000	-	-	50,000	174,860	4.47%	5.67%	10.00%
Dewan Cement Limited (note 5.3.3.3)	30,000	-	-	30,000	-	-	-	-
Engro Chemical Pakistan Limited	80,000	-	18,000	62,000	276,638	7.07%	8.98%	7.75%
First Dawood Investment Bank Limited	6,900	-	-	6,900	24,484	0.63%	0.79%	10.00%
Jahangir Siddiqui & Company Limited - V	21,000	-	21,000	-	-	-	-	-
New Allied Electronics Industries (Private) Limited (note 5.3.3.4)	15,000	-	-	15,000	-	-	-	-
Orix Leasing Pakistan Limited (note 5.3.1)	5,000	-	600	4,400	416,834	10.65%	13.52%	0.44%
AgriTech Limited [formerly Pak American Fertilizer Limited (note 5.3.3.5)]	30,000	-	-	30,000	104,916	2.68%	3.40%	10.00%
Pakistan Mobile Communication (Private) Limited	66,600	-	-	<u>66,600</u>	<u>163,951</u>	<u>4.19%</u>	<u>5.32%</u>	<u>9.51%</u>
				<u>299,940</u>	<u>1,310,450</u>	<u>33.49%</u>	<u>42.51%</u>	
Sukuk bonds								
BRR Guardian Modaraba	10,000	-	-	10,000	42,949	1.10%	1.39%	6.25%
Century Paper and Board Mills Limited	33,000	-	4,800	28,200	119,456	3.05%	3.89%	4.03%
Eden Builders Limited	7,956	-	-	7,956	35,112	0.90%	1.14%	1.59%
Engro Chemical Pakistan Limited	60,000	-	60,000	-	-	-	-	-
Kohat Cement Company Limited	50,000	-	-	50,000	181,125	4.63%	5.88%	10.00%
Maple Leaf Cement Factory Limited (note 5.3.3.6)	80,000	-	-	80,000	290,500	7.42%	9.42%	5.00%
Maple Leaf Cement Factory Limited - II (note 5.3.3.7)	-	3,000	-	3,000	-	-	-	-
New Allied Electronics Industries (Private) Limited (note 5.3.3.8)	9,000	-	-	9,000	-	-	-	-
Orix Leasing Pakistan Limited	10,000	-	-	10,000	31,942	0.82%	1.04%	9.52%
Pak Elektron Limited	24,000	-	-	<u>24,000</u>	<u>74,871</u>	<u>1.91%</u>	<u>2.43%</u>	<u>10.00%</u>
				<u>222,156</u>	<u>775,955</u>	<u>19.83%</u>	<u>25.19%</u>	
				<u>658,496</u>	<u>2,698,426</u>	<u>68.96%</u>	<u>87.56%</u>	
Carrying value of investments as at June 30, 2010					<u>3,254,515</u>			
Impairment losses					<u>474,651</u>			
Total market value of investment as at June 30, 2010					<u>3,082,011</u>	78.77%	100%	
Total carrying value of investment as at June 30, 2010					<u>3,614,531</u>			
Total impairment losses					<u>499,636</u>			

5.3.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each except unlisted Term Finance Certificates issued by Orix Leasing Pakistan Limited on January 15, 2008 which has a face value of Rs 100,000.

5.3.2 Term finance certificates are valued as per the requirements of SECP circular No. 01/2009 dated January 06, 2009.

5.3.3 During the year ended June 30, 2010, the Fund did not receive redemption of principal and/or profit amounts on some of its investments, the details of which are as follows:

5.3.3.1 This represents investment in privately placed term finance certificates. On July 18, 2009, the scheduled redemption date, principal redemption of Rs. 5 thousand and profit redemption of Rs. 2.291 million were not received by the Fund. The management has recognized an impairment loss of Rs. 24.985 million during the period ended June 30, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs. 13.768 million. The income suspended on these term finance certificates amounted to Rs. 5.888 million.

5.3.3.2 This represents investment in privately placed term finance certificates. On June 04, 2010, the scheduled redemption date, principal redemption of Rs 24.980 million and profit redemption of Rs. 18.260 million were not received by the Fund. The management has recognized an impairment loss of Rs. 74.940 million during the period ended June 30, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs. 31.475 million. The income suspended on these term finance certificates amounted to Rs. 20.954 million.

5.3.3.3 The Fund had advanced an amount of Rs 150 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. The management has recognized an impairment loss amounting to Rs. 150 million till June 30, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 also amounts to Rs. 150 million. The income suspended on these term finance certificates amounted to Rs. 54.610 million.

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- 5.3.3.4** This represents investment in privately placed term finance certificates. On November 15, 2008, the scheduled redemption date, principal redemption of Rs. 6.250 million and profit redemption of Rs. 2.774 million were not received by the Fund. The management has recognised an impairment loss of Rs.35.417 million till June 30, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 also amounts to Rs.35.417 million. The income suspended on these term finance certificates amounted to Rs. 12.678 million.
- 5.3.3.5** This represents investment in privately placed term finance certificates. On May 30, 2010, the scheduled redemption date, principal redemption of Rs.14.988 million and profit redemption of Rs. 10.524 million were not received by the Fund. The management has recognised an impairment loss of Rs.44.964 million till June 30, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.20.084 million. The income suspended on these term finance certificates amounted to Rs. 12.363 million.
- 5.3.3.6** This represents investment in privately placed sukuk bonds issue with a term of six years. On December 03, 2009, the scheduled redemption date, profit redemption of Rs. 30.965 million were not received by the Fund. The management has recognized an impairment loss amounting to Rs. 109.330 million till June 30, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs. 85.741 million. The income suspended on these term finance certificates amounted to Rs. 30.633 million. The sukuk has been restructured on March 30, 2010 and as part of restructuring arrangement, in respect of the profit redemption of Rs 30.965 million, a new sukuk bond II amounting to Rs. 15 million was issued while balance was paid in cash after deduction of certain expenses, as explained in note 5.3.3.7 below.
- 5.3.3.7** This represent investment in Maple Leaf privately placed sukuk bonds II. The coupon payment on Maple Leaf Sukuk II was due on June 29, 2010 which was not received by the Fund. Therefore as a matter of prudence, the management has recognised an impairment loss amounting to Rs. 15 million till June 30, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs. 15 million. The income suspended on these bonds amounted to Rs. 0.499 million.
- 5.3.3.8** This represents investment in privately placed sukuk bonds on December 03, 2008 i.e. the scheduled redemption date, profit redemption of Rs. 3.415 million was not received by the Fund the management has recognized an impairment loss amounting to Rs. 45 million till June 30, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 also amounts to Rs. 45 million. The income suspended on these term finance certificates amounted to Rs. 12.203 million.

	2010	2009
	-----Rupees in '000-----	
5.4 Net unrealised diminution in value of investments classified as financial assets 'at fair value through profit or loss'		
Market value of investments	383,585	1,481,667
Less: carrying value of investments	<u>(360,016)</u>	<u>(1,666,753)</u>
	23,569	(185,086)
Provision against non-performing TFCs and sukuk	<u>24,985</u>	<u>-</u>
	<u>48,554</u>	<u>(185,086)</u>
5.5 Unrealised appreciation/(diminution) in value of investments classified as available for sale - net		
Market value of investments	2,698,426	3,940,780
Less: Carrying of investments	<u>3,254,515</u>	<u>4,475,263</u>
	(556,089)	(534,483)
Provision against non-performing TFCs and sukuk	<u>474,651</u>	<u>261,949</u>
	<u>(81,438)</u>	<u>(272,534)</u>
5.6 Movement in provision against debt securities		
Opening balance	261,962	-
Charge for the year	311,560	261,962
Less: Reversal during the year	<u>(73,873)</u>	<u>-</u>
Closing balance	<u>499,649</u>	<u>261,962</u>
6 LOANS AND RECEIVABLES		
Term Deposit Receipts	<u>-</u>	<u>300,000</u>
	<u>-</u>	<u>300,000</u>
7 PROFIT RECEIVABLE		
Profit on savings and term deposits	43,407	154,104
Income accrued on term finance certificates and sukuk bonds	<u>245,201</u>	<u>281,666</u>
Suspended Income	<u>(149,828)</u>	<u>(52,964)</u>
	<u>95,373</u>	<u>228,702</u>
	<u>138,780</u>	<u>382,806</u>

NAFA Cash Fund

8	Note	2010	2009
-----Rupees in '000-----			
ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits with:			
-National Clearing Company of Pakistan Limited		3,625	3,500
-Central Depository Company of Pakistan Limited		100	100
Advance tax		1,516	1,265
Receivable from NAFA Income Fund on transfer-in of units		-	508
Receivable from NAFA Government Securities Liquid Fund on transfer-in of units		-	5
Others receivables		-	225
		<u>5,241</u>	<u>5,603</u>
9 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening Balance	9.1	903	1,403
Less: amortisation during the year		<u>500</u>	<u>500</u>
Balance as at June 30, 2010		<u>403</u>	<u>903</u>

9.1 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 April 22, 2006 as per the requirements set out in the Trust Deed of the Fund.

10	Note	2010	2009
-----Rupees in '000-----			
PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	10.1	4,861	9,930
Legal charges		-	1,772
Other		<u>(509)</u>	<u>11,702</u>

10.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Management fee is currently being calculated at the rate of one and a half percent per annum of the average annual net assets of the Fund and is paid to the Management Company monthly in arrears.

11	Note	2010	2009
-----Rupees in '000-----			
PAYABLE TO THE TRUSTEE			
Trustee fee	11.1	<u>406</u>	<u>744</u>

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2010 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

12	Note	2010	2009
-----Rupees in '000-----			
PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE			
Annual fee	12.1	<u>4,196</u>	<u>12,096</u>

12.1 Under the provisions of the NBFC Regulations, an income scheme is required to pay an annual fee to SECP at an amount equal to 0.075 percent of the average annual net assets of the fund.

NAFA Cash Fund

13	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2010 -----Rupees in '000-----	2009
	Auditors' remuneration		315	290
	Settlement charges payable		30	474
	Payable to brokers		53	529
	Printing charges		375	552
	WWF	18	8,636	-
	Others		25	659
			<u>9,434</u>	<u>2,504</u>
14	PROFIT ON BANK DEPOSITS			
	Income on savings deposits		92,749	127,106
	Income on term deposits		10,549	526,345
			<u>103,298</u>	<u>653,451</u>
15	NET ASSET VALUE PER UNIT			

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

16 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2010 and 2009.

17	AUDITORS' REMUNERATION	2010 -----Rupees in '000-----	2009
	Audit fee	290	275
	Half yearly review	115	110
	Out of pocket expenses	49	37
		<u>454</u>	<u>422</u>

18 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 (Ordinance of 1969) applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP) was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The Judgment recognises that the Trusts are covered by the scope of the definition of commercial establishment as contained in Ordinance of 1969 and, therefore, mutual funds and other funds appear to be covered unless it can be established that they fall with in the scope of exemption set out in Section 5(1)(iii) of the Ordinance of 1969 i.e. the Trusts not run for profit or in the course of business does not make any profit. This could be examined when the aggrieved parties directly approached the Court for redressal.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A - II)11.(5)/2010 dated July 8, 2010 and July 15, 2010, has clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are liable to contribute towards the said WWF levy.

Various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the fund and the letter issued by the Ministry of Labour, Government of Pakistan has no legal significance.

Because of ambiguity created based on conflicting opinions by lawyers and as a matter of abundant caution the Management Company of the Fund has decided to recognize a provision for WWF in these financial statements.

19	TAXATION	-----Rupees in '000-----
	Current year	5,873
	Prior period	2,763
		<u>8,636</u>

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

20 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.

NAFA Cash Fund

21 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2010-----			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----			
Assets			
Balances with banks	707,537	-	707,537
Investments	-	383,585	3,082,011
Loans and receivables	-	2,698,426	-
Dividend and profit receivable	138,780	-	138,780
Advances, deposits and other receivables	3,725	-	3,725
	<u>850,042</u>	<u>2,698,426</u>	<u>3,932,053</u>

-----As at June 30, 2010-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----		
Liabilities		
Payable to the Management Company	-	4,352
Payable to the Trustee	-	406
Payable on redemption of units	-	678
Accrued expenses and other liabilities	-	798
	<u>-</u>	<u>6,234</u>

-----As at June 30, 2009-----			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----			
Assets			
Balances with banks	1,595,275	-	1,595,275
Investments	-	1,481,667	5,422,447
Loans and receivables	300,000	-	300,000
Dividend and profit receivable	382,806	-	382,806
Advances, deposits and other receivables	4,338	-	4,338
	<u>2,282,419</u>	<u>1,481,667</u>	<u>7,704,866</u>

-----As at June 30, 2009-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----		
Liabilities		
Payable to the Management Company	-	11,702
Payable to the Trustee	-	744
Payable on redemption of units	-	14,884
Accrued expenses and other liabilities	-	2,504
	<u>-</u>	<u>29,834</u>

22 TRANSACTIONS WITH CONNECTED PERSONS

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

22.2 On March 31, 2010, NIB sold out its shareholding of NAFA to NBP. Accordingly, thereafter NIB is no longer a connected person for the Fund.

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

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

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

NAFA Cash Fund

22.6 Details of the transactions with connected persons are as follows:	For the period ended June 30, 2010	For the period ended June 30, 2009
	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited - Management Company Management fee expense for the year	83,921	202,209
NAFA Provident Fund Trust Units redeemed / transferred out (271,158 units; 2009: 208,249 units) Bonus units issued (16,171 units; 2009: 48,920 units)	2,700	2,000
National Bank of Pakistan - Sponsor Units issued / transferred in (Nil units; 2009: 48,214,148 units) Units redeemed (Nil units; 2009: 48,214,148 units) Cash dividend Borrowing charges	- - 2,859 -	500,000 486,910 18,138 47,750
NIB Bank Limited - (Previously a sponsor) Units redeemed / transferred out (Nil units; 2009: 20,000,000 units) Income on bank deposits till March 31,2010 Cash dividend Borrowing charges	- 19,836 - -	197,366 37,322 24,418 13,679
Alexandra Fund Management Pte. Limited - Sponsor Units redeemed / transferred out (3,917,459 units; 2009: 4,047,313 units) Bonus units issued (495,765 units; 2009: 1,450,449 units)	40,000	40,000
Chief Executive Officer Units redeemed / transferred out (Nil units; 2009: 3,403,635 units) Bonus units issued (Nil units; 2009: 232,417 units)	-	34,524
Spouse of Chief Executive Units redeemed / transferred out (20,486 units; 2009: 1,010 units) Bonus units issued (406 units; 2009: 2,337 units)	206	10
Employees of Management Company Units issued / transferred in (2,160,117 units; 2009: 4,050,018 units) Units redeemed / transferred out (2,482,305 units; 2009: 4,240,684 units) Bonus units issued (15,972 units; 2009: 64,512 units)	21,753 25,013	40,535 42,477
Chief Financial Officer Units issued / transferred in (Nil units; 2009: 75,984 units) Units redeemed / transferred out (Nil units; 2009: 75,984 units)	- -	765 771
NAFA Multi Asset Fund Units issued / transferred in (Nil units; 2009: 20,752,095 units) Units redeemed / transferred out (Nil units ; 2009: 41,483,558 units) Bonus units issued (Nil units; 2009: 1,962,029 units)	- -	215,000 409,170
NAFA Stock Fund Units issued / transferred in (Nil units; 2009: 7,239,103 units) Units redeemed / transferred out (Nil units; 2009: 9,953,120 units) Bonus units issued (Nil units; 2009: 375,925 units)	- -	75,000 96,587
NAFA Income Fund Investment held by the Fund: Units redeemed / transferred out (Nil units; 2009: 7,546,476 units) Bonus units issued (Nil units; 2009: 154,910 units)	-	75,613
Investment held in the Fund: Units issued / transferred in (Nil units; 2009: 13,615,161 units) Units redeemed / transferred out (Nil units; 2009: 13,860,405 units) Bonus units issued (Nil units; 2009: 245,244 units)	- -	140,000 133,954
Central Depository Company of Pakistan Ltd. - Trustee Remuneration Units redeemed / transferred out (Nil units; 2009: 8,998,612 units) CDS charges Bonus units issued (Nil units; 2009: 795,494 units)	6,595 - -	14,480 91,572 369
NAFA Islamic Income Fund Payment for purchase of sukuk bonds	-	25,881
NAFA Islamic Multi Asset Fund Payment for purchase of sukuk bonds	-	25,892

NAFA Cash Fund

	As at June 30, 2010	As at June 30, 2009
22.7 Amounts outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company	-----Rupees in '000-----	
Management fee payable	4,861	9,930
Legal charges payable	-	2,281
Other receivable from the management company	(509)	(509)
NAFA Employees Provident Fund Trust		
Investment held by the NAFA Provident Fund Trust (7,387 units; 2009: 262,374 units)	73	2,649
National Bank of Pakistan - Sponsor		
Investment held by the sponsor in the Fund (3,601,691 units; 2009: 3,601,691 units)	35,546	36,362
Balances in current account	12,069	94
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (5,489,678 units; 2009: 8,911,372 units)	54,179	89,968
Spouse of Chief Executive		
Investment held in the Fund (Nil units; 2009: 20,080 units)	-	203
Employees of Management Company		
Investment held in the Fund (2,131 units; 2009: 445,667 units)	21	4,499
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration payable	406	744
Security deposit	100	100

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	22
2	Sajjad Anwar	CFA / MBA Finance	10
3	Irfan Malik	CFA / MBA	13
4	Tanvir Abid	CFA / MBA	11
5	Ahmed Noman	EMBA, CFA	14

23.1 Mr. Irfan Malik is the manager of the Fund. He is also the fund manager of NAFA Savings Plus Fund and NAFA Islamic Income Fund.

24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2010
1. KASB Securities	37.93%
2. Alfalah Securities (Private) Limited	30.23%
3. Global Securities Pakistan Limited	9.84%
4. JS Global Capital Limited	8.96%
5. Invisor Securities	3.93%
6. IGI Finex Securities	3.68%
7. Atlas Capital Markets	3.07%
8. BMA Capital Management Limited	2.30%
9. First Capital Equities Limited	0.06%

	2009
1. Moosani Securities (Private) Limited	17.40%
2. Alfalah Securities (Private) Limited	17.26%
3. Dawood Equities Limited	13.14%
4. BMA Capital Management Limited	9.81%
5. JS Global Capital Limited	9.75%
6. Live Securities (Private) Limited	5.83%
7. Global Securities Pakistan Limited	4.41%
8. FDM Capital Securities (Private) Limited	4.00%
9. Al-Habib Capital Markets (Private) Limited	3.42%
10. First Capital Equities Limited	2.67%

NAFA Cash Fund

25 PATTERN OF UNIT HOLDING

Category

Individuals
Associated companies / Directors
Insurance companies
Banks / DFIs
NBFCs
Retirement funds
Public Limited companies
Others

As at June 30, 2010		
Number of unit holders	Investment amount	Percentage investment
-----Rupees in '000-----		
970	272,654	6.96%
3	89,797	2.29%
5	12,423	0.32%
5	2,342,848	59.84%
-	-	0.00%
35	993,706	25.40%
17	61,201	1.56%
33	142,277	3.63%
<u>1,068</u>	<u>3,914,906</u>	<u>100.00%</u>

Category

Individuals
Associated companies / Directors
Insurance companies
Bank / DFIs
NBFCs
Retirement funds
Public limited companies
Others

As at June 30, 2009		
Number of unit holders	Investment amount	Percentage investment
-----Rupees in '000-----		
1,879	922,729	12.04%
2	126,331	1.65%
8	310,647	4.05%
8	3,680,036	48.01%
-	-	0.00%
79	1,429,888	18.65%
38	849,626	11.08%
44	345,847	4.51%
<u>2,058</u>	<u>7,665,104</u>	<u>100.00%</u>

26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 22nd, 23rd, 24th, 25th and 26th Board meetings were held on July 3, 2009, August 31, 2009, October 28, 2009, February 17, 2010 and April 29, 2010 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings held			Meetings not attended
	Held	Attended	Leave granted	
Mr. Masood Karim Shaikh*	2	1	1	23rd meeting
Qamar Hussain	3	2	1	25th meeting
Dr. Amjad Waheed	5	5	-	-
Gerard Lee How Cheng	5	3	2	23rd, 26th meeting
Patrick Pang Chin	5	5	-	-
Shahid Anwar Khan	5	3	2	24th, 26th meeting
Raymond H. Kotwal	5	5	-	-
Syed Naseer Ul Hasan	5	5	-	-

* Mr. Masood Karim Shaikh retired from the Board with effect from October 16, 2009

** Mr. Qamar Hussain was co-opted on the Board with effect from October 16, 2009.

27 COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. NBP Fullerton Asset Management Company Limited (Management Company) classified NAFA Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at June 30, 2010, the Fund is compliant with all the requirements of the said circular except for clause 9 (iii) which requires that at least 25% net assets shall be invested in cash and near cash instruments which include cash in bank account (excluding TDRs), treasury bills not exceeding 90 days maturity and clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than investment grade:

NAFA Cash Fund

Category of non-compliant investment	Type of Investment / Name of Company	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-----						
Balances with the banks*	Cash and near cash instruments	707,537	Not applicable	707,537	18.07%	17.99%
Investment in Debt securities**	Azgard Nine Limited	249,800	74,940	174,860	4.47%	4.44%
	Agritech Limited	149,880	44,964	104,916	2.68%	2.67%
	Saudi Pak Leasing Company Limited	40,924	-	40,924	1.05%	1.04%
	First Dawood Investment Bank Limited	24,484	-	24,484	0.63%	0.62%
	Maple Leaf Cement Factory Limited Sukuk	399,830	109,330	290,500	7.42%	7.38%
	New Allied Electronics Industries (Private) Limited - TFC	35,417	35,417	-	0.00%	0.00%
	New Allied Electronics Industries (Private) Limited - Sukuk	45,000	45,000	-	0.00%	0.00%
	Dewan Cement Limited - TFC	150,000	150,000	-	0.00%	0.00%
	Gharibwal Cement Limited - TFC	24,985	24,985	-	0.00%	0.00%
	Kohat Cement Company Limited - Sukuk	181,125	-	181,125	4.63%	4.60%

* Investment in cash and near cash is less than 25% of net assets.

** At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

28 FINANCIAL RISK MANAGEMENT

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

28.1 Market risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market prices.

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

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

28.2 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.

28.3 Interest rate risk

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

(a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing term finance certificates and sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2010, 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 6.266 million (2009: Rs 26.730 million).

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 June 30, 2010 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 sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

NAFA Cash Fund

-----JUNE 30, 2010-----

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

On-balance sheet financial instruments

-----Rupees in '000-----

Financial assets						
Balances with banks	5 - 12	707,537	695,446	-	-	12,091
Investments	12.96 - 16.98	3,082,011	995,633	1,516,102	-	570,276
Profit receivable		138,780	-	-	-	138,780
Advances and deposits		3,725	-	-	-	3,725
		<u>3,932,053</u>	<u>1,691,079</u>	<u>1,516,102</u>	<u>-</u>	<u>724,872</u>
Financial liabilities						
Accrued expenses and other liabilities		798	-	-	-	798
Payable against redemption of units		678	-	-	-	678
Payable to the Management Company		4,352	-	-	-	4,352
Payable to the Trustee		406	-	-	-	406
		<u>6,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,234</u>
On-balance sheet gap		<u>3,925,819</u>	<u>1,691,079</u>	<u>1,516,102</u>	<u>-</u>	<u>718,638</u>

-----JUNE 30, 2009-----

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

On-balance sheet financial instruments

-----Rupees in '000-----

Financial assets						
Balances with banks	1.50 - 15.50	1,595,275	1,595,248	-	-	27
Investments	10.55 - 18.52	5,422,447	2,932,025	2,280,434	-	209,988
Loans and receivables	10.5 - 18.00	300,000	-	300,000	-	-
Dividend and profit receivable		382,806	-	-	-	382,806
Advances and deposits		4,338	-	-	-	4,338
		<u>7,704,866</u>	<u>4,527,273</u>	<u>2,580,434</u>	<u>-</u>	<u>597,159</u>
Financial liabilities						
Accrued expenses and other liabilities		2,504	-	-	-	2,504
Payable against redemption of units		14,884	-	-	-	14,884
Payable to the Management Company		11,702	-	-	-	11,702
Payable to the Trustee		744	-	-	-	744
		<u>29,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,834</u>
On-balance sheet gap		<u>7,675,032</u>	<u>4,527,273</u>	<u>2,580,434</u>	<u>-</u>	<u>567,325</u>

28.4 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at June 30, 2010, other than one fully impaired security as detailed in note 5.1.

28.5 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.

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

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2010 and June 30, 2009.

NAFA Cash Fund

Balances with banks	2010	2009
	-----Rupees in '000-----	
A	707,527	995,265
P-1	10	10
	<u>707,537</u>	<u>995,275</u>
Investments - Term finance certificates and sukuk bonds		
AA+, AA, AA-	506,362	3,707,150
A+, A, A-	1,995,667	1,401,731
BBB+, BBB, BBB-	42,949	77,704
BB+, BB, BB-	-	25,875
B+, B, B-	40,924	-
CCC	24,484	-
D	280,000	42,347
Non-rated	191,625	167,627
	<u>3,082,011</u>	<u>5,422,434</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 is the carrying amount of the financial assets.

28.6 Liquidity risk

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

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.

The Fund did not withhold any redemptions during the year ended June 30, 2010.

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.

	-----June 30, 2010-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	-----Rupees in '000-----			
Liabilities				
Payable to the Management Company	4,352	4,352	-	-
Payable to the Trustee	406	406	-	-
Payable on redemption of units	678	678	-	-
Accrued expenses and other liabilities	798	798	-	-
	<u>6,234</u>	<u>6,234</u>	<u>-</u>	<u>-</u>
	-----June 30, 2009-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	-----Rupees in '000-----			
Liabilities				
Payable to the Management Company	11,702	11,702	-	-
Payable to the Trustee	744	744	-	-
Payable on redemption of units	14,884	14,884	-	-
Accrued expenses and other liabilities	2,504	2,504	-	-
	<u>29,834</u>	<u>29,834</u>	<u>-</u>	<u>-</u>

NAFA Cash Fund

28.7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

Investments carried at fair value are categorised as follows:

	----- As at June 30, 2010 -----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
ASSETS				
Investment in securities - at fair value through profit or loss	-	383,585	-	383,585
Investment in securities - available for sale	-	2,128,150	570,276	2,698,426

29 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable on the Fund.

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

In accordance with the risk management policies stated in note 28, 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 borrowings or disposal of investments where necessary.

NAFA Cash Fund

30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 25, 2010

31 GENERAL

31.1 Figures have been rounded off to the nearest thousand rupees.

31.2 No significant rearrangements or reclassification were made in these financial statements except as required because of the changes in accounting policies as more fully explained in note 2.2 to these financial statements.

31.3 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
(Formerly National Fullerton Asset Management Limited)
(Management Company)**

Chief Executive

Chairman

NAFA Cash Fund

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year ended June 30, 2008	For the year ended June 30, 2007	For the period from February 11, 2006 to June 30, 2006
Net assets (Rs. '000')	3,914,906	7,665,104	24,043,799	18,248,177	3,874,369
Net Income (Rs. '000')	285,007	138,143	2,184,127	1,773,340	72,844
Net Asset Value per units (Rs.)	9.8692	9.8959	10.0410	10.0273	10.0016
Offer price per unit	9.8692	9.8959	10.0410	10.0273	10.0016
Redemption price per unit	9.8692	9.8959	10.0410	10.0273	10.0016
Highest offer price per unit (Rs.)	9.9065	9.6888	9.8221	10.0273	10.0016
Lowest offer price per unit (Rs.)	9.2502	9.0403	9.0583	8.9543	9.8163
Highest redemption price per unit (Rs.)	9.9065	9.6888	9.8221	10.0273	10.0016
Lowest redemption price per unit (Rs.)	9.2502	9.0403	9.0583	8.9543	9.8163
Total return of the fund	5.81%	5.49%	9.83%	10.76%	1.92%
Capital growth	-0.19%	-1.36%	0.13%	0.26%	0.02%
Income distribution	6.00%	6.85%	9.70%	10.50%	1.90%
Interim distribution per unit	0.5937	0.4850	0.2356	-	-
Final distribution per unit	-	0.2000	0.7359	1.05	0.19
Distribution dates					
Interim	28-Oct-09, 17-Feb-10 & 29-Apr-10	16-Oct-08 & 17-Apr-09	15-Apr-08	-	-
Final	-	3-Jul-09	3-Jul-08	5-Jul-07	4-Jul-06
Average annual return (launch date 22-04-2006)					
(Since inception to June 30, 2010)	8.06%				
(Since inception to June 30, 2009)		8.78%			
(Since inception to June 30, 2008)			10.31%		
(Since inception to June 30, 2007)				10.80%	
(Since inception to June 30, 2006)					10.00%
Portfolio Composition (Please see Fund Manager Report)					
Weighted average portfolio duration	68 Days	2 Years	2 Years	2 Years	2 Years
<p>"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."</p>					