



# **NAFA STOCK FUND**

# NAFA STOCK FUND

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# NAFA STOCK FUND

## DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the Third Annual Report of NAFA Stock Fund for the year ended June 30, 2009.

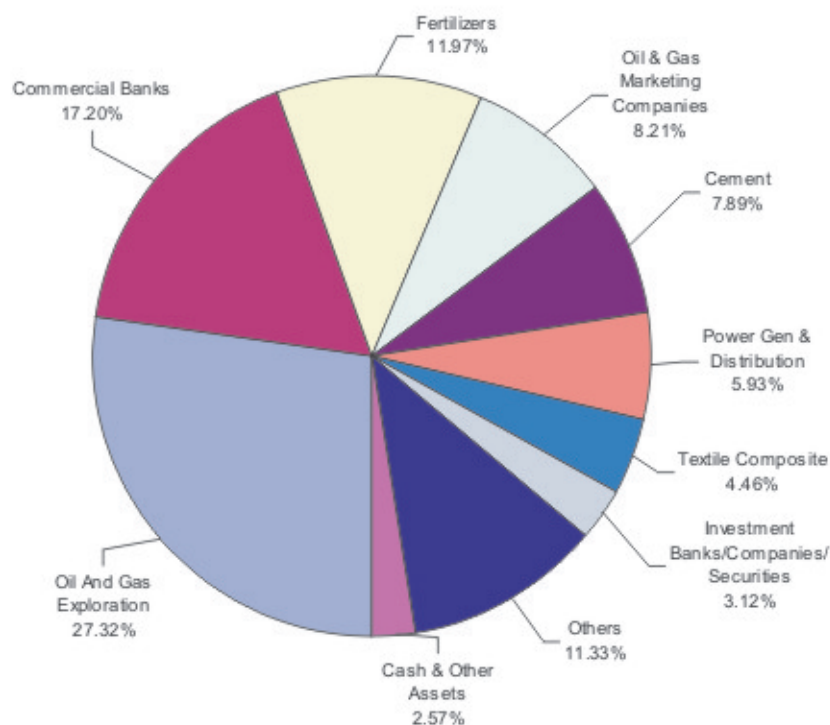
### Fund's Performance

Owing to high fiscal deficit, rising inflation, growing political uncertainties, worsening economic conditions, and severe liquidity crunch in the financial markets, the FY 2008-09 has been the most turbulent period in the history of local stock market and mutual fund industry. Resultantly, the stock market declined substantially and the size of NAFA Stock Fund dropped to its lowest at Rs.814 million during the year. Subsequent to lifting of freeze at the end of December, the stock market witnessed substantial recovery, and the Fund Size has increased to Rs.1.33 billion as of June 30, 2009, translating into a growth of 64% from its bottom. During the fiscal year, the Fund has out-performed its benchmark (KSE-30 Index) by 1.52%.

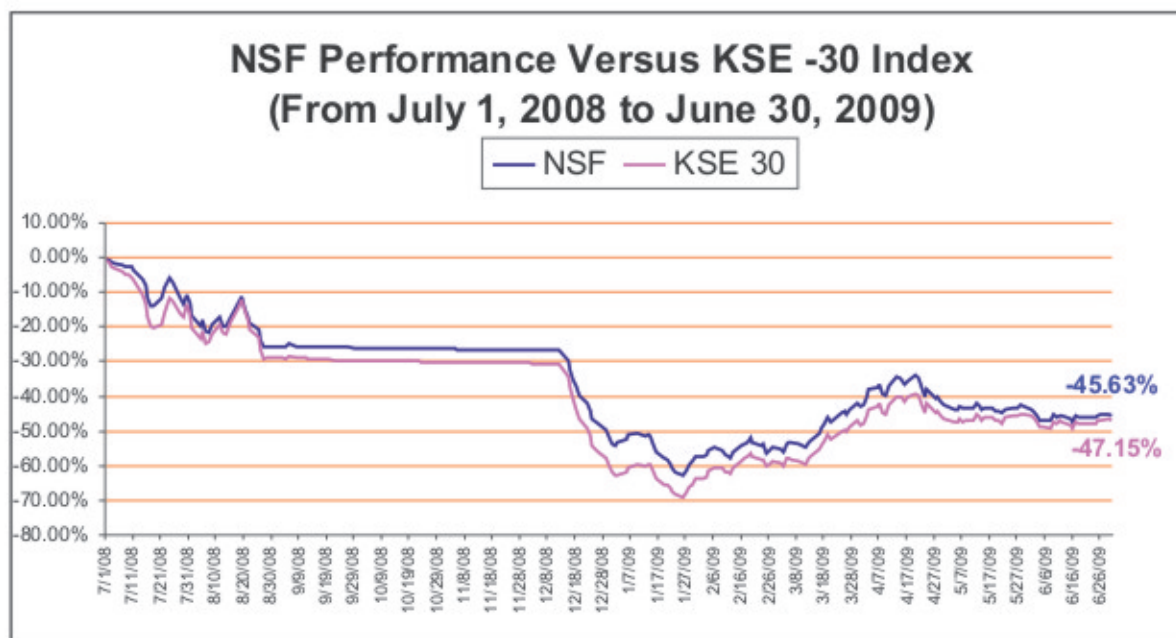
NAFA Stock Fund has incurred a total loss of Rs.1,062.04 million during the year. After deducting total expenses of Rs.55.43 million, the net loss is Rs.1,117.47 million. During the year, the unit price of NAFA Stock Fund has decreased from Rs.11.1621 on June 30, 2008 (Ex-Div) to Rs.6.0685 on June 30, 2009. The resultant per unit loss is Rs.5.0936.

The asset allocation of NAFA Stock Fund as on June 30, 2009 is as follows:

### **Asset Allocation as on June 30, 2009**



# NAFA STOCK FUND



## Income Distribution

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

## Taxation

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

## Auditors

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

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

1. The financial statements, prepared by the management company of NAFA Stock 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 Stock 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.



# NAFA STOCK FUND

6. There are no significant doubts upon NAFA Stock 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 National Fullerton Asset Management Limited held five meetings during the current financial year. The attendance of all directors is disclosed in the note 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 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 21 to these financial statements.

## **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  
National Fullerton Asset Management Limited

Masood Karim Shaikh, FCA  
Chairman

Dr. Amjad Waheed, CFA  
Chief Executive

Date: August 31, 2009  
Place: Karachi.

# NAFA STOCK FUND

## TRUSTEE REPORT TO THE UNIT 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 Stock Fund (the Fund), an open-end scheme was established under a trust deed dated December 06, 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, 2009 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.

#### **Kamran Qazi**

Chief Financial Officer & Company Secretary  
Central Depository Company of Pakistan Limited

Karachi, October 7, 2009

# NAFA STOCK FUND

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

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

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

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

1. The Management Company encourages representation of independent non-executive directors. at present the Board consist seven directors including six independent non-executive 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 NBF1 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 Khawaja Iqbal Hassan and Mr. Habib Yousuf Habib which were filled by Syed Naseer ul Hassan and Mr. Rayomond H. Kotwal on October 16, 2008.
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 STOCK 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 21 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 STOCK 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: August 31, 2009  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer



# NAFA STOCK FUND

## Fund Manager Report

### NAFA Stock Fund

NAFA Stock Fund is an open-ended equity fund

### Investment Objective of the Fund

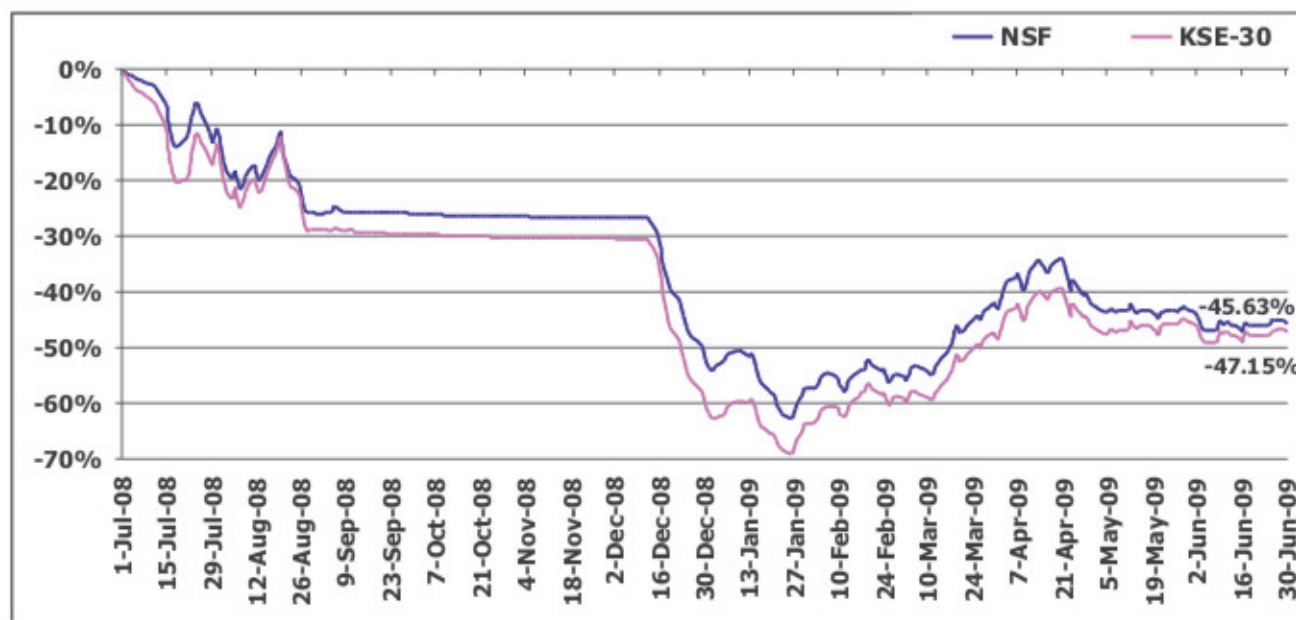
The objective of NAFA Stock Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund is moderate to high.

### Benchmark

The Benchmark of the Fund is KSE-30 Index.

### Fund performance review

During the year under review, the benchmark, KSE-30 Index decreased by 47.15%, whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) decreased by 45.63%, thus an out-performance of 1.52% was recorded. The chart below shows the performance of NSF against the benchmark for the year:



# NAFA STOCK FUND

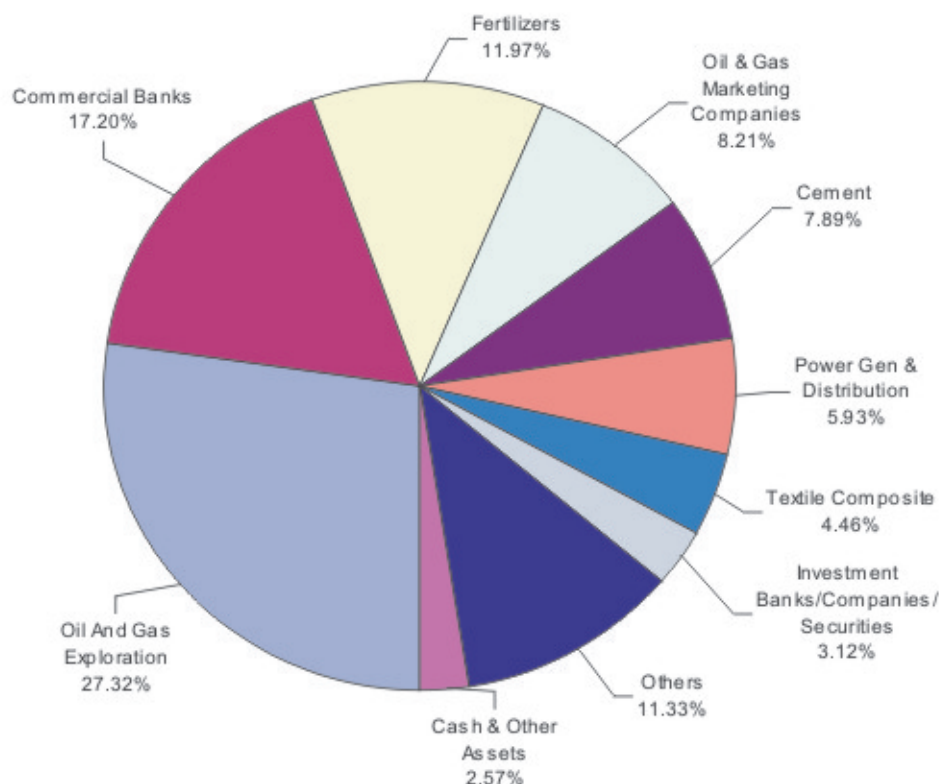
During the year, we remained slightly under weight in equities. However, towards the end of the year we were fully invested in the stock market.

Lackluster performance of the stock market during FY 09 is attributable to weak economic indicators. GDP growth rate for FY 09 remained at around 2%, due to abysmal performance of Large Scale Manufacturing (LSM) sector. Inflationary pressure persisted on the back of soaring crude oil and commodity prices. As a result, YOY, CPI inflation reached a high of 25% in month of November 2008. Foreign exchange reserves of SBP reached around US \$3.5 billion in October 2008 from a high of US \$14.25 billion in October 2007. Pak rupee depreciated around 16.5% during the year. Deteriorating law and order situation in the country also remained a cause of concern for the investors.

KSE-30 Index declined by around 69% till end of January 2009. Stock market remained frozen from August 27, 2008 till December 15, 2008. From the bottom in end of January 2009, the stock market rallied steadily and gained around 71%. During the year we also saw CFS MK-II being phased out of the market which squeezed the liquidity from the stock market. Trading activity also remained thin with average trading volume declining to half that of the previous year.

Since December we have seen signs of improvement on both the economic and law and order front. Inflation, interest rates, current account, trade deficit, and foreign exchange reserves are all improving, and we expect this trend to continue in FY 09-10. Going forward, we expect the economic recovery to continue in FY 2009-10.

The asset allocation of the Fund as on June 30, 2009 is as follows



# NAFA STOCK FUND

## Income Distribution

No distribution has been approved for the year ended June 30, 2009 by the Board of Directors of the Management Company.

## Pattern of Unit Holders for NAFA STOCK FUND as on June 30, 2009

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	348
1,001	5,000	782
5,001	10,000	437
10,001	50,000	715
50,001	100,000	154
100,001	500,000	145
500,001	1,000,000	26
1,000,001	5,000,000	24
5,000,001	10,000,000	3
10,000,001	100,000,000	4
<b>Total:</b>		<b><u>2,638</u></b>

## During the period under question:

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



# NAFA STOCK FUND

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

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company 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 35 notified by The Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, 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, 2009.

A.F. Ferguson & Co.  
Chartered Accountants  
Karachi

Dated: 14 September 2009

# NAFA STOCK FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Stock Fund** which comprise the statement of assets and liabilities as at June 30, 2009, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Fund's affairs as at June 30, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Other matters

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

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: 14 September 2009

Karachi



# NAFA STOCK FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2009

	Note	2009	2008
		-----Rupees in '000-----	
<b>Assets</b>			
Balances with banks	4	15,971	621,436
Receivable against sale of investments		24,624	98,049
Investments	5	1,297,090	1,879,844
Dividend and profit receivable	6	6,171	14,052
Deposits, prepayments and other receivables	7	7,251	3,661
Preliminary expenses and floatation costs	8	1,278	1,778
<b>Total assets</b>		<b>1,352,385</b>	<b>2,618,820</b>
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company	9	4,355	24,381
Payable to Central Depository Company of Pakistan Limited - Trustee	10	190	297
Payable to Securities and Exchange Commission of Pakistan	11	1,415	2,089
Payable on purchase of investments		13,960	5,682
Payable on redemption of units		510	19,570
Accrued expenses and other liabilities	12	644	1,065
<b>Total liabilities</b>		<b>21,074</b>	<b>53,084</b>
<b>Net Assets</b>		<b>1,331,311</b>	<b>2,565,736</b>
<b>Unit Holders' Funds (As Per Statement Attached)</b>		<b>1,331,311</b>	<b>2,565,736</b>
<b>Contingencies and Commitments</b>	15		
		-----Number of units-----	
<b>Number of units in issue</b>		<b>219,381,541</b>	<b>223,802,795</b>
		-----Rupees-----	
<b>Net asset value per unit</b>	14	<b>6.0685</b>	<b>11.4643</b>

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

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman

# NAFA STOCK FUND

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	For the year ended June 30, 2009	For the year ended June 30, 2008
-----Rupees in '000-----			
<b>INCOME</b>			
(Loss)/ Gain on sale of investments - net		(978,418)	17,049
Income from Continuous Funding System (CFS)		925	-
Profit on bank deposits	16	10,715	16,149
Dividend income		64,243	42,669
Unrealised loss on investments at fair value through profit or loss - net		(71,138)	(189,761)
<b>Total income / (loss)</b>		<b>(973,673)</b>	<b>(113,894)</b>
<b>EXPENSES</b>			
Remuneration of National Fullerton Asset Management Limited – Management Company		43,585	62,524
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,447	3,090
Annual fee - Securities and Exchange Commission of Pakistan		1,416	2,090
Securities transaction cost		5,418	34,037
Settlement and bank charges		716	1,110
Annual listing fee		30	30
Financial charges	17	-	685
Auditors' remuneration	18	375	293
Fund rating fee		61	39
Amortisation of preliminary expenses and floatation costs	8	500	500
Printing charges		887	-
<b>Total Expenses</b>		<b>55,435</b>	<b>104,398</b>
<b>Loss from operating activities</b>		<b>(1,029,108)</b>	<b>(218,292)</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(88,366)	131,335
<b>Loss for the year before taxation</b>		<b>(1,117,474)</b>	<b>(86,957)</b>
<b>Taxation</b>	19	-	-
<b>Loss for the year after taxation</b>		<b>(1,117,474)</b>	<b>(86,957)</b>
<b>Earnings per unit</b>	20		

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

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman

# NAFA STOCK FUND

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	For the year ended June 30, 2009	For the year ended June 30, 2008
	-----Rupees in '000-----	
Undistributed income brought forward	273,082	442,474
Distribution:		
Final distribution for the year ended June 30, 2008 : 3.022% (Date of distribution: 03 July, 2008) [2007: Final distribution for the period from January 15, 2007 to June 30, 2007@22.60%]		
- Bonus units	(55,991)	(230,034)
- Cash Distribution	(11,614)	-
Interim distribution 2008: 3.022% (Date of distribution:16 April 2008)		
- Bonus units	-	(47,789)
- Cash Distribution	-	(12,686)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	(10,967)	208,074
Loss for the year	(1,117,474)	(86,957)
(Accumulated loss) / Undistributed income carried forward	<u>(922,964)</u>	<u>273,082</u>

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

# NAFA STOCK FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2009

	For the year ended June 30, 2009	For the year ended June 30, 2008
	-----Rupees in '000-----	
Net assets at the beginning of the year	2,565,736	1,460,323
Issue of 128,524,575 units (2008: 249,829,953 units)	856,761	3,010,146
Redemption of 137,961,586 units (2008: 127,812,103 units)	(1,050,464) (193,703)	(1,673,755) 1,336,391
Issue of 5,015,757 bonus units for the year ended June 30, 2008: 3.022% (2007: 22.60%)	55,991	230,034
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	88,366	(131,335)
- amount representing (income) / losses that form part of the unit holders' fund transferred to Distribution Statement	10,967 99,333	(208,074) (339,409)
Unrealised loss on investments at fair value through profit or loss - net (Loss) / gain on sale of investments - net	(71,138) (978,418)	(189,761) 17,049
Other income / (loss) (net of expenses)	(67,918)	85,755
Distribution:		
Final distribution for the year ended June 30, 2008: 3.022%		
- Bonus units	(55,991)	(230,034)
- Cash Distribution	(11,614)	-
Interim distribution 2008: 3.022% (Date of distribution: 16 April 2008)		
- Bonus units	-	(47,789)
- Cash Distribution	-	(12,686)
	(1,185,079)	(377,466)
Interim distribution: Issue of bonus units	-	47,789
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	(10,967)	208,074
<b>Net assets at the end of the year</b>	<u>1,331,311</u>	<u>2,565,736</u>

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

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman



# NAFA STOCK FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	For the year ended June 30, 2009	For the year ended 2008
	-----Rupees in '000-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss for the year	(1,117,474)	(86,957)
<b>Adjustments</b>		
Unrealised (gain) / loss on investments at fair value through profit or loss - net	71,138	189,761
Amortisation of preliminary expenses and floatation costs	500	500
Element of (income) / loss and capital (gains)/losses included in prices of units issued less those in units redeemed	88,366	(131,335)
	(957,470)	(28,031)
<b>(Increase) / decrease in assets</b>		
Receivable against sale of investments	73,425	(98,049)
Investments	511,616	(730,895)
Advances, deposits and prepayments	(3,590)	(2,561)
Dividend and profit receivable	7,881	(11,600)
	589,332	(843,105)
<b>Increase / (decrease) in liabilities</b>		
Payable to National Fullerton Asset Management Limited - - Management Company	(20,026)	16,328
Payable to Central Depository Company of Pakistan Limited - Trustee	(107)	120
Payable to Securities and Exchange Commission of Pakistan	(674)	1,664
Payable on purchase of investments	8,278	-
Payable on redemption of units	(19,060)	19,570
Accrued expenses and other liabilities	(421)	(151,398)
	(32,010)	(113,716)
<b>Net cash outflow on operating activities</b>	(400,148)	(984,852)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts from issue of units	856,761	3,010,146
Net payments on redemption of units	(1,050,464)	(1,673,755)
Distributions paid	(11,614)	(12,686)
<b>Net cash inflow/(outflow) from financing activities</b>	(205,317)	1,323,705
<b>Net increase in cash and cash equivalents during the year</b>	(605,465)	338,853
Cash and cash equivalents at the beginning of the year	621,436	282,583
<b>Cash and cash equivalents at the end of the year</b>	4 15,971	621,436

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

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman



# NAFA STOCK FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2- to the Management Company. The Management Company has initiated the process of obtaining the rating of the Fund with PACRA. Previously, the Fund had two year performance rating of 3 star evaluated by JCR-VIS Credit Rating Company Limited (JCR-VIS).

### 2 BASIS OF PREPARATION

#### 2.1 STATEMENT OF COMPLIANCE

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

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

The SECP vide SRO 411(1) / 2008 dated April 28, 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures' which is mandatory for entities whose accounting periods begin on or after the date of notification. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only impacted the format and extent of disclosures presented in these financial statements.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2008 but were considered not to be relevant or did not have any significant effect on the Fund's operations.

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

IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective restatement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of the comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard is not expected to have a significant impact on the presentation of the financial statements.

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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 and 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. This amendment is not expected to have a significant effect on the financial statements of the Fund.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Fund's financial statements and have therefore not been analysed in detail.

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.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 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.

## 2.4 Critical accounting estimates and judgments

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

- i) Classification and valuation of investments (note 3.2 and note 5)
- ii) Amortisation of preliminary expenses and floatation cost (note 3.2.9 and note 8)

## 2.5 Accounting convention

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

## 2.6 Functional and Presentation Currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

### 3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

### 3.2 Financial assets

- 3.2.1 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.



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Investments are categorised as follows:

**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-derivatives 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.

**c) Loans and receivables**

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

### 3.2.2 Regular way contracts

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

### 3.2.3 Initial recognition and measurement

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

### 3.2.4 Subsequent measurement

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

### 3.2.5 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale that comprise of equity securities are valued on the basis of 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 the Income Statement.

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

### 3.2.6 Securities under resale agreements – Continuous Funding System (CFS) transactions

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the respective transactions. Transaction costs are included in the initial measurement of all CFS transactions except for transaction costs that may be incurred on disposal.

### 3.2.7 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".

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## 3.2.8 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. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit and loss account. Impairment losses recognised on equity instruments are not reversed through profit and loss.

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

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition these are carried at amortised cost.

## 3.2.9 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.

## 3.2.10 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.

## 3.2.11 Taxation

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account tax credits, rebates and exemptions, if any, and is made in accordance with the provisions of the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

## 3.2.12 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.

## 3.2.13 Financial assets and financial liabilities

Financial assets carried on the Statement of Assets and Liabilities include balances with banks, receivables against sale of investments, receivable against Continuous Funding System (CFS) transactions, investments, loans and receivables, income receivable and certain other receivables.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to National Fullerton Asset Management Limited – Management Company, payable to Central Depository Company of Pakistan Limited – Trustee, payable against redemption of units and accrued expenses and other liabilities.

The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.



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## 3.2.14 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.

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

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.

## 3.2.16 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.

## 3.2.17 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase (reverse repo) transactions and Continuous Funding System (CFS) transactions is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the payment is established.
- Income on term finance certificates, is recognised on a time proportion basis.
- Income from clean placements and Certificates of Investment is recognised on an accrual basis.
- 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.
- Profit on bank deposits is recognised on an accrual basis.



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	Note	2009	2008
(Rupees in '000)			
<b>4 BALANCES WITH BANKS</b>			
Current accounts		735	6,181
Savings accounts		15,236	615,255
		<u>15,971</u>	<u>621,436</u>
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Equity securities - listed		1,297,090	1,854,467
Units of open-end mutual funds		-	25,377
		<u>1,297,090</u>	<u>1,879,844</u>

## 5.1 Equity securities - listed at fair value through profit or loss

Name of the investee company	Number of shares					Market value as at June 30, 2009	Investment as a percentage of		
	As at July 1, 2008	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2009		Market value of Net Assets	Market Value of Total Investment	Paid-up Capital of Investee Company

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

Shares of listed companies -Fully paid up Ordinary shares of Rs. 10 each unless other wise stated

### Investment Banks/Companies

Arif Habib Investment Management Limited	-	71,795	-	71,795	-	-	-	-	-
Arif Habib Securities Limited	135,000	5,161,817	100,000	4,272,817	1,124,000	31,067	2.33%	2.40%	0.30%
Jahangir Siddiqui Company Limited	25,000	1,934,577	60,701	1,570,278	450,000	10,436	0.78%	0.80%	0.06%
Jahangir Siddiqui Investment Company Limited	187,500	-	-	187,500	-	-	-	-	-

### Modarabas

First Equity Modarba	1,989,000	100,000	-	2,089,000	-	-	-	-	-
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### Commercial Banks

Askari Bank Limited	-	1,325,000	-	1,325,000	-	-	-	-	-
Bank Al-Falah Limited	5,000,992	4,894,500	4,625,421	14,520,913	-	-	-	-	-
Habib Bank Limited	-	321,000	32,820	353,820	-	-	-	-	-
MCB Bank Limited	-	2,496,600	106,560	1,733,900	869,260	134,761	10.12%	10.39%	0.13%
Meezan Bank Limited	150,100	-	-	150,100	-	-	-	-	-
National Bank of Pakistan	300,000	2,194,192	148,138	2,058,100	584,230	39,161	2.94%	3.02%	0.05%
NIB Bank Limited	-	2,042,000	-	2,042,000	-	-	-	-	-
United Bank Limited	249,900	4,124,400	164,190	3,101,500	1,436,990	55,022	4.13%	4.24%	0.13%

### Insurance

Adamjee Insurance Company Limited	-	707,453	-	427,953	279,500	23,475	1.76%	1.81%	0.25%
Central Insurance Company Limited	-	17,174	1,137	18,311	-	-	-	-	-

### Textile Composite

Artistic Denim Mills Limited	637,100	-	-	637,100	-	-	-	-	-
Azgard Nine Limited (Non-voting)	673,000	1,000	134,400	2,000	806,400	38,151	2.87%	2.94%	14.33%
Azgard Nine Limited	-	2,129,500	-	1,172,500	957,000	21,188	1.59%	1.63%	0.21%
Dawood Lawrencepur Limited	20,000	139,711	-	159,711	-	-	-	-	-
Nishat (Chunian) Limited	-	780,500	-	780,500	-	-	-	-	-
Nishat (Chunian) Limited Rights Allot.	-	-	285,250	285,250	-	-	-	-	-
Nishat Mills Limited	-	669,500	-	669,500	-	-	-	-	-
Nishat Mills Limited (Right Shares)	-	-	200,000	200,000	-	-	-	-	-

### Sugar & Allied Industries

J.D.W Sugar Mills Limited	100,000	2,400	-	102,400	-	-	-	-	-
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### Cement

D.G Khan Cement Company Limited	-	1,930,000	-	310,000	1,620,000	48,033	3.61%	3.70%	0.53%
Kohat Cement Company Limited	1,845,375	197,737	-	2,043,112	-	-	-	-	-
Lucky Cement Limited	-	4,469,000	-	3,495,000	974,000	57,008	4.28%	4.40%	0.30%

### Refinery

Attock Refinery Limited	-	1,038,000	-	905,000	133,000	16,597	1.25%	1.28%	0.16%
National Refinery Limited	-	37,300	-	5,300	32,000	7,041	0.53%	0.54%	0.04%
Pakistan Refinery Limited	-	42,300	-	-	42,300	3,799	0.29%	0.29%	0.12%

### Power & Generation & Distribution

The Hub Power Company Limited	1,423,000	5,964,500	-	4,475,000	2,912,500	78,900	5.93%	6.08%	0.25%
Kot Addu Power Company Limited	-	53,900	-	53,900	-	-	-	-	-

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Name of the investee company	Number of shares					Market value as at June 30, 2009	Investment as a percentage of		
	As at July 1, 2008	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2009		Market value of Net Assets	Market Value of Total Investment	Paid-up Capital of Investee Company

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

Shares of listed companies -Fully paid up Ordinary shares of Rs. 10 each unless other wise stated

#### Oil & Gas Marketing Companies

Attock Petroleum Limited	-	21,300	-	21,300	-	-	-	-	-
Pakistan State Oil Company Limited	110,000	1,057,300	-	655,700	511,600	109,303	8.21%	8.43%	0.30%
Shell Pakistan Limited	107,300	2,800	-	110,100	-	-	-	-	-

#### Oil & Gas Exploration Companies

Marl Gas Company Limited	150,000	5,959	-	155,959	-	-	-	-	-
Oil & Gas Development Company Limited	1,400,200	5,334,198	-	4,336,200	2,398,198	188,594	14.17%	14.54%	0.06%
Pakistan Oilfields Limited	363,000	2,131,900	121,980	2,274,100	342,780	50,012	3.76%	3.86%	0.14%
Pakistan Petroleum Limited	575,700	1,989,300	64,230	1,969,500	659,730	125,045	9.39%	9.64%	0.08%

#### Automobile Assemblers

Pakistan International Container Terminal	-	300,003	-	300,003	-	-	-	-	-
Indus Motor Company Limited	-	310,900	-	170,400	140,500	15,134	1.14%	1.17%	0.18%

#### Technology & Communications

Eye Television Network Limited	1,298,000	752,509	-	1,142,000	908,509	26,120	1.96%	2.01%	1.82%
Pakistan Telecommunication Company Limited	1,390,500	2,317,000	-	3,707,500	-	-	-	-	-
Netsol Technologies Limited	2,464,801	478,000	572,960	3,515,761	-	-	-	-	-

#### Engineering

Crescent Steel & Allied Products	-	201,997	5,000	206,997	-	-	-	-	-
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#### Fertilizers

Dawood Hercules Chemical Limited	75,000	50,700	11,740	137,440	-	-	-	-	-
Engro Chemicals Pakistan Limited	393,440	2,233,800	163,896	1,947,500	843,636	108,348	8.14%	8.35%	0.28%
Fauji Fertilizer Company Limited	-	1,235,000	123,970	1,095,300	263,670	22,926	1.72%	1.77%	0.04%
Fauji Fertilizer Bin Qasim Limited	500,000	8,352,000	-	7,267,500	1,584,500	28,030	2.11%	2.16%	0.17%

#### Chemicals

Descon Oxychem Limited	-	1,010,112	-	1,010,112	-	-	-	-	-
ICI Pakistan Limited	-	68,200	-	68,200	-	-	-	-	-
Sitara Peroxide Limited	-	244,500	-	244,500	-	-	-	-	-
Engro Polymor & Chemicals Limited	-	622,000	-	622,000	-	-	-	-	-

#### Paper & Board

Packages Limited	-	585,909	-	367,209	218,700	34,345	2.58%	2.65%	0.26%
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#### Miscellaneous

Pace (Pakistan) Limited	6,888,000	4,164,000	-	6,644,500	4,407,500	24,594	1.85%	1.90%	1.89%
Tri Pack Films Limited	226,000	14,017	-	240,017	-	-	-	-	-

**24,500,503** **1,297,090** **97.43%** **100.00%**

**1,368,228**

Carrying value as at June 30, 2009

Investments include shares with market value of Rs 136.354 million (2008: Rs.176.438 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities & Exchange Commission of Pakistan.

## 5.2 Units of open end mutual funds

Name of the investee company	Number of shares					Market value as at June 30, 2009	Investment as a percentage of		
	As at July 1, 2008	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2009		Market value of Net Assets	Market Value of Total Investment	Paid-up Capital of Investee Company

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

#### Open-end mutual fund

NAFA Cash Fund	2,338,092	7,239,103	375,926	9,953,121	-	-	-	-	-
NAFA Islamic Income Fund	17,366	-	904	18,270	-	-	-	-	-

Carrying value as at June 30, 2009

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## 5.3 Available for Sale Equity securities - Listed

Name of the investee company	Number of shares				As at June 30, 2009	Market value as at June 30, 2009	Investment as a percentage of			
	As at July 1, 2008	Purchases during the year	Bonus / Rights issue	Sales during the year			Market value of Net Assets	Market Value of Total Investment	Paid-up Capital of Investee Company	
							(Rupees in '000)-----%			
<b>Commercial Banks</b>										
<b>Investment Banks/Companies</b>										
Arif Habib Securities Limited	-	130,400	-	130,400	-	-	-	-	-	
Jahangir Siddiqui Company Limited	-	425,000	-	425,000	-	-	-	-	-	
Jahangir Siddiqui Investment Company Limited	-	150,000	-	150,000	-	-	-	-	-	
<b>Commercial Banks</b>										
Allied Bank Limited	-	20,000	-	20,000	-	-	-	-	-	
Askari Commercial Bank Limited	-	100,000	-	100,000	-	-	-	-	-	
Bank Alfalah Limited	-	550,000	-	550,000	-	-	-	-	-	
Bank Islami Pakistan Limited	-	50,000	-	50,000	-	-	-	-	-	
Bank of Punjab	-	265,000	-	265,000	-	-	-	-	-	
Faysal Bank Limited	-	25,000	-	25,000	-	-	-	-	-	
Habib Bank Limited	-	89,200	-	89,200	-	-	-	-	-	
MCB Bank Limited	-	828,800	-	828,800	-	-	-	-	-	
National Bank of Pakistan	-	920,600	-	920,600	-	-	-	-	-	
NIB Bank Limited	-	600,000	-	600,000	-	-	-	-	-	
United Bank Limited	-	170,000	-	170,000	-	-	-	-	-	
<b>Insurance</b>										
Adamjee Insurance Company Limited	-	285,000	-	285,000	-	-	-	-	-	
Pakistan Reinsurance Limited	-	45,000	-	45,000	-	-	-	-	-	
<b>Textile Composite</b>										
Azgard Nine Limited	-	129,000	-	129,000	-	-	-	-	-	
Nishat Mills Limited	-	480,000	-	480,000	-	-	-	-	-	
<b>Cement</b>										
D.G. Khan Cement	-	690,000	-	690,000	-	-	-	-	-	
Fauji Cement Company Limited	-	550,000	-	550,000	-	-	-	-	-	
Lucky Cement	-	650,100	-	650,100	-	-	-	-	-	
Maple Leaf Cement Company Limited	-	150,000	-	150,000	-	-	-	-	-	
<b>Refinery</b>										
Attock Refinery	-	416,800	-	416,800	-	-	-	-	-	
National Refinery Limited	-	7,500	-	7,500	-	-	-	-	-	
<b>Power and Generation Distribution</b>										
Hub Power Company Limited	-	555,000	-	555,000	-	-	-	-	-	
Kot Addu Power Company	-	53,900	-	53,900	-	-	-	-	-	
<b>Oil &amp; Gas Marketing Companies</b>										
Pakistan State Oil	-	338,600	-	338,600	-	-	-	-	-	
<b>Oil &amp; Gas Exploration Companies</b>										
Mari Gas Company Limited	-	23,000	-	23,000	-	-	-	-	-	
Oil & Gas Development Company Limited	-	473,700	-	473,700	-	-	-	-	-	
Pakistan Oilfields Limited	-	433,700	-	433,700	-	-	-	-	-	
Pakistan Petroleum Limited	-	355,000	-	355,000	-	-	-	-	-	
<b>Fertilizers</b>										
Engro Chemical Pak Ltd.	-	593,700	-	593,700	-	-	-	-	-	
Fauji Fertilizer Company Ltd.	-	452,000	-	452,000	-	-	-	-	-	
Fauji Fertilizer Bin Qasim Limited	-	450,000	-	450,000	-	-	-	-	-	
<b>Chemicals</b>										
Descon Oxychem Limited	-	108,000	-	108,000	-	-	-	-	-	
ICI Pakistan	-	74,600	-	74,600	-	-	-	-	-	
Pakistan PTA Limited	-	800,000	-	800,000	-	-	-	-	-	
<b>Technology &amp; Communications</b>										
Eye Television Network Limited	-	61,500	-	61,500	-	-	-	-	-	
Pakistan Telecommunication Ltd.	-	825,000	-	825,000	-	-	-	-	-	
World Call Telecom	-	100,000	-	100,000	-	-	-	-	-	
<b>Paper &amp; Board</b>										
Packages Limited	-	18,000	-	18,000	-	-	-	-	-	
<b>Miscellaneous</b>										
Pace (Pakistan) Limited	-	450,000	-	450,000	-	-	-	-	-	
						-----				
						-----				
<b>Cost as at June 30, 2009</b>						-----				



# NAFA STOCK FUND

	Note	2009	2008
<b>6 DIVIDEND AND PROFIT RECEIVABLE</b>		<b>(Rupees in '000)</b>	
Profit on savings deposits		314	2,908
Dividend receivable on equity securities		5,857	11,144
		<u>6,171</u>	<u>14,052</u>
<b>7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Security deposits with:			
-National Clearing Company of Pakistan Limited		3,500	3,500
-Central Depository Company of Pakistan Limited		100	100
Prepaid mutual fund rating Fee		75	61
Other receivables		3,576	-
		<u>7,251</u>	<u>3,661</u>
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance	8.1	1,778	2,278
Preliminary expenses and floatation costs incurred		-	-
Less: amortisation during the year		500	500
Balance as at June 30		<u>1,278</u>	<u>1,778</u>
<b>8.1</b>	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 March 28, 2008 as per the requirements set out in the Trust Deed of the Fund.		
<b>9 PAYABLE TO NATIONAL FULLERTON ASSET MANAGEMENT LIMITED – MANAGEMENT COMPANY</b>	Note	<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
Management fee	9.1	3,257	6,461
Front-end Load Payable		1,098	17,906
Others		-	14
		<u>4,355</u>	<u>24,381</u>
<b>9.1</b>	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund thereafter of an amount equal to two percent of such assets of the Fund. The management fee is being calculated at the rate of 3 percent of the average annual net assets of the Fund. The remuneration is paid to Management Company monthly in arrears.		
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN</b>	Note	<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
Trustee fee	10.1	190	297
<b>10.1</b>	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.		

# NAFA STOCK FUND

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2009 is as follows:

Amount of funds under management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million

The remuneration is paid to the trustee monthly in arrears.

11	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
	Annual fee	11.1	<u>1,415</u>	<u>2,089</u>
11.1	Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund with effect from November 21, 2008. Previously, annual fee of an amount equal to one tenth of one percent was accrued under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2007.			
12	ACCRUED EXPENSES AND OTHER LIABILITIES		2009 (Rupees in '000)	2008 (Rupees in '000)
	Auditors' remuneration		240	218
	Payable to Alexandra Fund Management Pte. Limited		-	484
	Settlement charges payable		69	128
	Bank Charges		66	235
	Others		<u>269</u>	<u>-</u>
			<u>644</u>	<u>1,065</u>

# NAFA STOCK FUND

## 13 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2009-----			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----			
<b>Assets</b>			
Balances with Banks	15,971	-	15,971
Receivable against sale of investments	24,625	-	24,625
Investments	-	1,297,090	1,297,090
Dividend and profit receivable	6,171	-	6,171
Deposits and other receivables	7,037	-	7,037
	<u>53,804</u>	<u>1,297,090</u>	<u>1,350,894</u>

-----As at June 30, 2009-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company	-	4,355	4,355
Payable to Central Depository Company of Pakistan Limited - Trustee	-	190	190
Payable on purchase of investments	-	13,960	13,960
Payable on redemption of units	-	510	510
Accrued expenses and other liabilities	-	644	644
	<u>-</u>	<u>19,659</u>	<u>19,659</u>

-----As at June 30, 2008-----			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----			
<b>Assets</b>			
Balances with Banks	621,436	-	621,436
Receivable against sale of investments	98,049	-	98,049
Investments	-	1,879,844	1,879,844
Dividend and profit receivable	14,052	-	14,052
Deposits and other receivables	3,600	-	3,600
	<u>737,137</u>	<u>1,879,844</u>	<u>2,616,981</u>

-----As at June 30, 2008-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company	-	24,381	24,381
Payable to Central Depository Company of Pakistan Limited - Trustee	-	297	297
Payable on redemption of units	-	19,570	19,570
Accrued expenses and other liabilities	-	6,747	6,747
	<u>-</u>	<u>50,995</u>	<u>50,995</u>

## 14 NET ASSET VALUE PER UNIT

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



# NAFA STOCK FUND

## 15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2009 and June 30, 2008

	2009	2008
	(Rupees in '000)	
<b>16 PROFIT ON BANK DEPOSITS</b>		
Income on savings deposits	<u>10,715</u>	<u>16,149</u>
<b>17 FINANCIAL CHARGES</b>		
Mark up on running finance	<u>-</u>	<u>685</u>
<b>18 AUDITORS' REMUNERATION</b>		
Audit fee	245	200
Half yearly review	90	80
Out of pocket expenses	<u>40</u>	<u>13</u>
	<u>375</u>	<u>293</u>

## 19 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year / period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any 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) for the year ended June 30, 2009 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 21 TRANSACTIONS WITH CONNECTED PERSONS

**21.1** Connected persons include 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.

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

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

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

# NAFA STOCK FUND

For the year ended  
June 30, 2009      For the year ended  
June 30, 2008  
(Rupees in '000)

## 21.5 Details of the transactions with connected persons are as follows:

### National Fullerton Asset Management Limited - Management Company

Management fee expense for the year	43,585	62,524
Front End Load	7,199	34,864

### National Bank of Pakistan - Sponsor

Units redeemed / transferred out (Nil units 2008: 5,794,133 units)	-	68,790
Bonus units issued (Nil units 2008: 2,094,133 units)	-	25,312
Cash Distribution	2,267	4,017

### NIB Bank Limited - Sponsor

Income on bank deposits	1,567	-
Units redeemed / transferred out (Nil units 2008: 1,402,321 units)	-	17,194
Bonus units issued (Nil units 2008: 1,402,321 units)	-	16,950
Cash Distribution	2,267	2,267

### Alexandra Fund Management Pte. Limited - Sponsor

Bonus units issued (328,048 units; 2008: 2,116,808 units)	3,662	26,187
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### Chief Executive Officer

Units issued / transferred in (49,864 units; 2008: 7,927,068 units)	300	100,614
Units redeemed / transferred out (Nil units 2008: 9,167,789 units)	-	120,684
Bonus units issued (Nil units 2008: 195,442 units)	-	2,362

### Employees of the Management Company

Units issued / transferred In (7,822,264 units; 2008: 5,966,504 units)	50,495	79,001
Units redeemed / transferred out (8,940,816 units; 2008: 5,404,929 units)	61,943	70,920
Bonus units issued (41,584 units; 2008: 175,898 units)	464	2,125

### Chief Financial Officer

Units issued / transferred In (262,929 units; 2008: 221,628 units)	1,652	2,888
Units redeemed / transferred out (220,387 units; 2008: 144,860 units)	1,851	1,904
Bonus units issued (2,561 units; 2008: 3,071 units)	29	38

### NAFA Cash Fund

Units issued / transferred in (7,239,103 units 2008: 21,067,490 units)	75,000	225,000
Units redeemed / transferred out (9,953,121 units 2008: 18,729,398 units)	96,587	200,000
Bonus units issued (375,925 units; 2008: Nil units)	4,196	-

### NAFA Islamic Income Fund

Units issued / transferred in (Nil units 2008: 9,743,740 units)	-	100,000
Units redeemed / transferred out (18,270 units; 2008: 9,726,374 units)	164	100,000
Bonus units received (904 units; 2008: Nil units)	10	-

### Central Depository Company of Pakistan Limited - Trustee

Remuneration	2,447	3,090
CDS Charges	332	477

### NAFA Provident Fund Trust - Provident Fund

Units Issued / Transferred In (620,149 units; 2008: Nil Units)	3,300	-
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# NAFA STOCK FUND

As at June 30, 2009    As at June 30, 2008  
(Rupees in '000)

## Amounts outstanding as at year end

### National Fullerton Asset Management Limited - Management Company

Management Fee Payable	3,257	6,461
Front-end Load Payable	1,098	17,920

### National Bank of Pakistan - Sponsor

Investment held by the sponsor in the Fund (7,500,000 units; 2008:7,500,000 units;)	45,514	85,982
Deposit held by the Fund with the Sponsor	282	1,821

### NIB Bank Limited - Sponsor

Investment held by the sponsor in the Fund (7,500,000 units; 2008:7,500,000 units;)	45,514	85,982
Deposit held by the Fund with the Sponsor	2,800	59,110
Profit receivable on bank deposits	-	769

### Alexandra Fund Management Pte. Limited - Sponsor

Investment held by the Sponsor in the Fund (12,444,856 units; 2008: 12,116,808 units)	75,522	138,911
Profit payable by the Fund on pre-IPO investment	-	484

### Chief Executive Officer

Investment held by the Chief Executive Officer (49,864 units; 2008: Nil Units)	303	-
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### Employees of the Management Company

Investment held in the Fund (489,884 units; 2008: 1,566,125 units)	2,972	17,955
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### Chief Financial Officer

Investment held in the Fund (112,815 units; 2008: 68,420 units)	685	784
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### NAFA Cash Fund

Investment held in the Fund ( Nil units ; 2008: 2,338,092 units)	-	25,197
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### NAFA Islamic Income Fund

Investment held in the Fund (2008: 17,366 units)	-	180
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### Central Depository Company of Pakistan Limited - Trustee

Trustee Fee payable	190	297
CDS charges payable	69	133
Security Deposit	100	100

### NAFA Provident Fund Trust - Provident Fund

Investment held in the Fund (620,149 units; 2008:Nil Units)	3,763	-
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## 22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	-----2009-----	
	Qualification	Experience
1. Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	21
2. Sajjad Anwar	MBA, CFA	09
3. Khurram Shehzad	MBA (Finance), CFA	11
4. Abdul Rehman Warriach	B.A, LLB, CFA, FRM	14

22.1 Khurram Shahzad is the Fund Manager of Nafa Stock Fund. He is also the Fund Manager of NAFA Multi Asset Fund.



# NAFA STOCK FUND

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

		2009
1	Fortune Securities (Private) Limited	8.89%
2	Taurus Securities Limited	8.62%
3	Moosani Securities (Private) Limited	7.35%
4	KASB Securities Limited	4.48%
5	Invest and Finance Securities (Private) Limited	4.28%
6	Invest Capital and Securities (Private) Limited	4.27%
7	Saao Capital	4.06%
8	Live Securities (Private) Limited	3.90%
9	Al falah Securities (Private) Limited	3.88%
10	IGI Finex Securities Limited	3.51%
		2008
1	Fortune Securities (Private) Limited	7.11%
2	Global Securities Pakistan Limited	6.81%
3	Moosani Securities (Private) Limited	5.48%
4	Foundation Securities	4.96%
5	Invisor Securities (Private) Limited	4.94%
6	Taurus Securities Limited	4.89%
7	Invest Capital and Securities (Private) Limited	3.61%
8	Saao Capital	3.44%
9	Invest and Finance Securities (Private) Limited	3.25%
10	KASB Securities Limited	3.15%

## 24 PATTERN OF UNIT HOLDING

CATEGORY	As at June 30, 2009		
	Number of unit holders	Investment amount	Percentage Investment
(Rupees in '000)			
Individuals	2,534	448,090	33.66%
Associated companies / Directors	5	170,615	12.81%
Insurance companies	4	17,620	1.32%
Banks / DFI's	4	133,522	10.03%
NBFCs	-	-	-
Retirement funds	63	432,877	32.52%
Public limited companies	11	49,800	3.74%
Others	17	78,787	5.92%
	<u>2,638</u>	<u>1,331,311</u>	<u>100%</u>

CATEGORY	As at June 30, 2008		
	Number of unit holders	Investment amount	Percentage Investment
(Rupees in '000)			
Individuals	3,187	797,925	31.10%
Associated companies / Directors	3	310,875	12.12%
Insurance companies	6	39,675	1.55%
Banks / DFI's	8	251,908	9.82%
NBFCs	3	6,044	0.24%
Retirement funds	-	-	-
Public limited companies	3	20,837	0.81%
Others	124	1,138,472	44.36%
	<u>3,334</u>	<u>2,565,736</u>	<u>100%</u>

# NAFA STOCK FUND

## 25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 17th, 18th, 19th, 20th and 21st Board meetings were held on July 3, 2008, August 11, 2008, October 16, 2008, February 17, 2009 and April 17, 2009 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of director	Number of meetings			Meetings not attended
	Held	Attended	Leave Granted	
Mr. Masood Karim Shaikh	5	3	2	18th 21st, meeting
Dr. Amjad Waheed	5	5	-	
Khwaja Iqbal Hassan (Resigning Director)	3	2	1	
Gerard Lee How Cheng	5	5	-	19th meeting
Patrick Pang Chin	5	5	-	
Shahid Anwar Khan	5	4	1	20th meeting
Masroor Ahmed Qureshi (Resigning Director)	1	0	1	17th meeting
Habib Yousuf Habib (Resigning Director)	1	1	-	
Raymond H. Kotwal (New Director)	3	2	1	20th meeting
Syed Naseer Ul Hasan (New Director)	3	3	-	

## 26 FINANCIAL RISK MANAGEMENT

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

### 26.1 Market risk

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

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

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

### 26.2 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.

### 26.3 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. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates.

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

# NAFA STOCK FUND

-----As at June 30, 2009-----

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

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

## On-balance sheet financial instruments

### Financial Assets

Balances with banks	15,971	15,236	-	-	735
Receivable against sale of investment	24,624	-	-	-	24,624
Investments	1,297,090	-	-	-	1,297,090
Dividend and profit receivable	6,171	-	-	-	6,171
Deposits and other receivable	7,037	-	-	-	7,037
	<u>1,350,893</u>	<u>15,236</u>	<u>-</u>	<u>-</u>	<u>1,335,657</u>

### Financial Liabilities

Payable to National Fullerton Asset Management Limited - Management Company	4,355	-	-	-	4,355
Payable to Central Depository Company of Pakistan Limited - Trustee	190	-	-	-	190
Payable on purchase of investments	13,960	-	-	-	13,960
Payable against redemption of units	510	-	-	-	510
Accrued expenses and other liabilities	644	-	-	-	644
	<u>19,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,659</u>

## On-balance sheet gap

	<u>1,331,234</u>	<u>15,236</u>	<u>-</u>	<u>-</u>	<u>1,315,998</u>
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-----As at June 30, 2008-----

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

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

## On-balance sheet financial instruments

### Financial Assets

Balances with banks	621,436	615,255	-	-	6,181
Receivable against sale of investment	98,049	-	-	-	98,049
Investments	1,879,844	-	-	-	1,879,844
Dividend and profit receivable	14,052	-	-	-	14,052
Advances and deposits	3,600	-	-	-	3,600
	<u>2,616,981</u>	<u>615,255</u>	<u>-</u>	<u>-</u>	<u>2,001,726</u>

### Financial Liabilities

Payable to National Fullerton Asset Management Limited - Management Company	24,381	-	-	-	24,381
Payable to Central Depository Company of Pakistan Limited - Trustee	297	-	-	-	297
Payable on purchase of investments	5,682	-	-	-	5,682
Payable on redemption of units	19,570	-	-	-	19,570
Accrued expenses and other liabilities	1,065	-	-	-	1,065
	<u>50,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,995</u>

## On-balance sheet gap

	<u>2,565,986</u>	<u>615,255</u>	<u>-</u>	<u>-</u>	<u>1,950,731</u>
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# NAFA STOCK FUND

	2009	2008
	Percentage per annum	
The rates of return on financial instruments are as follows:		
Balances with banks	<u>5.0 - 15.0</u>	<u>1.30 - 13.0</u>

## 26.4 Price Risk

The fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as available for sale and at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the trust deed. The Fund's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2009, net loss for the year would decrease / increase by Rs. 62.325 million (2008: Rs. 71.843 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

## 26.5 Credit Risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's investment in bank deposits as at June 30, 2009 and June 30, 2008.

Bank balances by category	2009	2008
A1+	86.04%	93.83%
A-2	0.20%	0.16%
A-1+	12.83%	1.25%
A1	0.29%	4.59%
A-3	0.51%	0.14%
A-1	0.13%	0.03%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2009 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

# NAFA STOCK FUND

## 26.6 Concentration of credit risk

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

## 26.7 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 except for the period from October 6, 2008 to January 4, 2009 for the reasons mentioned below.

Due to the introduction of a 'floor' on the equity prices at the stock exchanges and to protect the interests of the unit holders, SECP issued circular No. 23 of 2008 dated October 7, 2008 directing all asset management companies managing open end schemes with direct exposure to equity securities to suspend pricing, issuance and redemption of units till third business day after the floor is removed at the stock exchanges. The management Company, in compliance with the said circular, suspended the pricing, issuance and redemption of units of the Fund with effect from October 7, 2008.

On removal of the 'floor' on December 15, 2008, the Management Company, in exercise of the powers conferred by the NBFC Regulations and the Trust Deed, continued the suspension due to persistent inadequate trading volumes and lack of price discovery in the equity market.

From January 5, 2009, the Management Company had withdrawn the suspension in dealing in the Fund and all outstanding investment, redemption and conversion forms were then processed.



# NAFA STOCK FUND

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

-----As at June 30, 2009-----

Total	Upto three months	Over three months and upto one year	Over one year
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-----Rupees in '000-----

#### Liabilities

Payable to National Fullerton Asset Management Limited – Management Company  
 Payable to Central Depository Company of Pakistan Limited – Trustee  
 Payable on purchase of investments  
 Payable on redemption of units  
 Accrued expenses and other liabilities

4,355	4,355	-	-
190	190	-	-
13,960	13,960	-	-
510	510	-	-
644	644	-	-
19,659	19,659	-	-

-----As at June 30, 2008-----

Total	Upto three months	Over three months and upto one year	Over one year
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-----Rupees in '000-----

#### Liabilities

Payable to National Fullerton Asset Management Limited – Management Company  
 Payable to Central Depository Company of Pakistan Limited – Trustee  
 Payable on purchase of investments  
 Payable against redemption of units  
 Accrued expenses and other liabilities

24,381	24,381	-	-
297	297	-	-
5,682	5,682	-	-
19,570	19,570	-	-
1,065	1,065	-	-
50,995	50,995	-	-

## 26.8 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.

## 27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies stated in note 26, 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 STOCK FUND

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 31, 2009.

## 29 CORRESPONDING FIGURES

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

## 30 GENERAL

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

30.2 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 National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman

# NAFA STOCK FUND

Performance Table	For the year ended June 30, 2009	For the year ended June 30, 2008	For the year ended June 30, 2007
Net assets (Rs '000)	1,331,311	2,565,736	1,460,323
Net income (Rs '000)	(1,117,474)	(86,957)	442,474
Net Asset Value per unit (Rs)	6.0685	11.1621	12.0871
Selling price per unit	6.2506	11.2038	12.5175
Repurchase price per unit	6.0685	10.8599	12.0871
Highest offer price per unit (Rs)	11.3508	14.6622	12.5183
Lowest offer price per unit (Rs)	4.2803	10.4616	8.0038
Highest redemption price per unit (Rs)	11.0202	14.2175	12.0879
Lowest redemption price per unit (Rs)	4.1556	10.1393	7.7049
<b>Total Return of the fund</b>	-45.63%	-2.65%	43.47%
Capital Growth	-45.63%	-7.65%	20.87%
Income Distribution	0.00%	5.00%	22.60%
<b>Distribution</b>			
Interim distribution per unit		0.3022	
Final distribution per unit		0.3022	2.2600
<b>Distribution dates</b>			
Interim distribution		15-Apr-08	
Final distribution		3-Jul-08	5-Jul-08
<b>Average annual return (Launch Date January 22, 2007)</b>			
Since Inception to June 30, 2009	-24.48%		
Since Inception to June 30, 2008		-2.44%	
Since Inception to June 30, 2007			37.13%
Portfolio Composition (See Fund Manager report)			
<p>Statement of past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</p>			

