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.

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Asif Hassan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Khalid Mahmood	Director
Mr. Aamir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource Committee

Mr. Khalid Mahmood	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

Trustee

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

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
SILK Bank Limited
Soneri Bank Limited
Standard Chartered Bank (PAK) Limited
The Bank of Khyber
The Bank of Panjab
Summit Bank Limited
United Bank Limited
Samba Bank Limited

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

Contents

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Eighth Annual Report of **NAFA Income Opportunity Fund (NIOF)** for the year ended June 30, 2013.

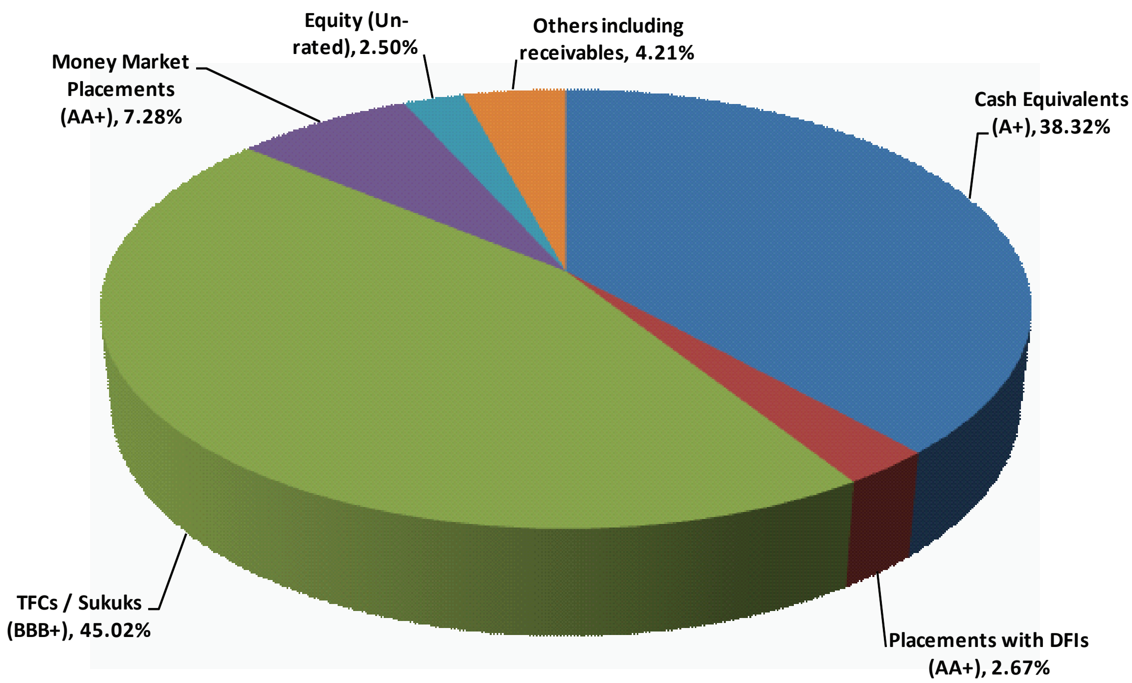
Fund's Performance

The size of NAFA Income Opportunity fund has increased from Rs. 1,546 million to Rs. 1,869 million during the period, i.e. a growth of 20.89%. During the said period, the unit price of the Fund has increased from Rs. 9.6618 on June 30, 2012 to Rs. 10.6595 on June 30, 2013, thus posting a return of 10.33% as compared to its Benchmark (6-Month KIBOR) return of 9.92% for the same period.

With letup in inflationary pressures and manageable external account position, SBP slashed the Policy Rate during FY13 by 300 bps to 9%. On the corporate debt sphere, yields on the corporate bonds in the secondary market squeezed due to the price appreciation on the back of decline in interest rates, increased risk appetite of the investors, and limited primary issuance. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. The Fund has been awarded stability rating of BBB+(f) by PACRA.

The Fund has earned a total income of Rs.346.65 million during the year. After accounting for total expenses of Rs.192.11 million, the net income is Rs.154.54 million.

The asset allocation of NAFA Income Opportunity Fund as on June 30, 2013 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved a final distribution of 6.60% of opening ex-NAV (6.377% of the par value). After final distribution, the net asset value per unit will be Rs.10.0218 on June 30, 2013.

Taxation

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

Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2014.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the current financial year. The attendance of all directors is disclosed in the note 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 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 18 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
NBP Fullerton Asset Management Limited

Chief Executive　　　　Director

Date: August 27, 2013
Place: Karachi.

TRUSTEE REPORT TO THE UNIT HOLDERS
NAFA INCOME OPPORTUNITY FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Income Opportunity Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 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 18, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA INCOME OPPORTUNITY FUND FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2013, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Exectuive Officer)
Non- Executive Directors	1. Mr. Asif Hassan (Chairman) 2. Mr. Khalid Mahmood 3. Mr. Amir Shehzad 4.Mr. Wah Geok Sum 5.Mr. Koh Boon San

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

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable). However, the requirement of serving as a director of seven listed companies is applicable from the date of next election of directors.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies were occurred on the board on February 26, 2013 and on May 20, 2013 during the year which were filled up by the directors on April 11, 2013 and May 20, 2013 respectively.

5. The Management Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In order to apprise the directors on their duties and responsibilities and requirements of CCG, the code requires company to conduct formal orientation for directors. Up to 30 June 2013, one of the directors has obtained the director's training program offered by Pakistan Institute of Corporate Governance. The Company has started the process for training of other directors and it is expected that some of other directors may also obtain certification of the director's training program in upcoming year. However, the directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 18 to the financial statements "Transactions with Connected Persons".

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is a non-independent director.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. There was no ‘closed period’ prior to the announcement of interim/final results.

22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.

23. We confirm that all other material principles contained in the CCG have been complied with.

For and behalf of the board

Karachi
August 27, 2013

Dr. Amjad Waheed
Chief Executive Officer

FUND MANAGER REPORT

NAFA Income Opportunity Fund

NAFA Income Opportunity Fund (NIOF) is an open-end Income Scheme.

Investment Objective of the Fund

The objective of NIOF 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

6 Month - KIBOR

Fund Performance Review

This is the eighth Annual report since the launch of the Fund on April 22, 2006. The Fund size increased by 20.95% during FY13 and stands at Rs 1.87 billion as on June 30, 2013. The Fund's annualized return since inception is 6.77% versus the benchmark return of 11.51%. During FY13 the Fund posted an annualized return of 10.33% as compared to the benchmark return of 9.92%. This translates into an out-performance of 0.41% p.a. Hence, the Fund has achieved its stated objectives.

Key factor that contributed to the superior performance of the Fund during the year was partial recovery in Textile sector PPTFC. The Fund also benefitted from the receipt of principal / accrued profit from non-performing sukuk of cement sector that is valued at a discount to the par value. The Yield to Maturity of your Fund at year end FY13 is around 16.63% while that of TFC portfolio is 24.98%. The yield does not include potential recovery in fully provided TFCs (Face Value of Rs. 773 million), which is potential upside for the Fund. The Fund's sector allocation is fairly diversified with exposure to Telecom, Fertilizer, cement, Financial Services, Banking, and Leisure (Hotel) sub-sectors.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-13	30-Jun-12
Placements with DFIs	2.67%	-
TFCs / Sukuks	45.02%	77.44%
Money Market Placements	7.28%	-
Equity	2.50%	-
Cash Equivalents & Other Assets	42.53%	22.56%
Total	**100.00%**	**100.00%**

With letup in inflationary pressures and manageable external account position, SBP slashed the Policy Rate during FY13 by 300 bps to 9%. On the corporate debt sphere, yields on the corporate sukuk in the secondary market squeezed amid ample liquidity in the market on the back of incessant government borrowing, elevated risk appetite of the investors in search of yield and limited primary issuance. All corporate sukuks in the Fund are floating rate linked to KIBOR. During the year, 6-Months KIBOR declined to 9.09% from 12.06%.

Distribution for the Financial Year 2013

Period	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Year Ended Jun 13	**6.3770%**	**10.6595**	**10.0218**

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets	Yield to Maturity per annum
BRR Guardian Modaraba***	SUKUK	44,843,750	-	33,632,813	1.80%	1.43%	41.13%
Escort Investment Bank Limited***	TFC	7,493,940	-	5,525,702	0.30%	0.23%	18.00%
Kohat Cement Limited (Sukuk)***	SUKUK	37,893,905	-	28,420,429	1.52%	1.21%	7.67%
Saudi Pak Leasing***	TFC	45,524,790	-	22,762,395	1.22%	0.97%	48.06%
World Call Telecom Limited	TFC	96,370,722	81,915,114	14,455,608	0.77%	0.61%	42.31%
Eden Housing (Sukuk II)	SUKUK	14,662,500	5,111,509	9,550,991	0.51%	0.41%	70.22%
Maple Leaf Cement (Sukuk I)	SUKUK	359,150,000	215,490,000	143,660,000	7.68%	6.10%	38.82%
Pak Elektron Limited (Sukuk)	SUKUK	51,428,571	38,571,428	12,857,143	0.69%	0.55%	291.37%
Agritech Limited I	TFC	149,860,200	149,860,200	-	n/a	n/a	n/a
Agritech Limited V	TFC	32,320,000	32,320,000	-	n/a	n/a	n/a
Azgard Nine Limited III	TFC	108,376,850	108,376,850	-	n/a	n/a	n/a
Azgard Nine Limited V	TFC	82,180,000	82,180,000	-	n/a	n/a	n/a
Dewan Cement Limited	TFC	150,000,000	150,000,000	-	n/a	n/a	n/a
Gharibwal Cement Limited (PPTFC)	TFC	24,355,500	24,355,500	-	n/a	n/a	n/a
New Allied Electronics (PPTFC)	TFC	31,706,536	31,706,536	-	n/a	n/a	n/a
New Allied Electronics (Sukuk II)	SUKUK	44,148,934	44,148,934	-	n/a	n/a	n/a
PACE Pakistan Limited	TFC	149,820,000	149,820,000	-	n/a	n/a	n/a
Azgard Nine Limited (Non-Voting Ordinary Shares)	Equity	12,854	12,854	-	n/a	n/a	n/a
Agritech Limited Shares	Equity	141,403,150	94,618,908	46,784,242	2.50%	1.99%	n/a
Total		**1,571,552,202**	**1,208,487,833**	**317,649,322**	**16.98%**	**13.49%**	

***Said TFCs are performing but classified as Non-Compliant on the basis of required rating. Due to this the difference between the Value of Investment before provision and after provision is mark to market loss instead of provisioning.

Unit Holding Pattern of NAFA Income Opportunity Fund as on 30th June 2013

Size of Unit Holding (Units)	# of Unit Holders
1-1000	207
1001-5000	198
5001-10000	30
10001-50000	49
50001-100000	14
100001-500000	17
500001-1000000	2
1000001-5000000	6
5000001-10000000	-
10000001-100000000	4
100000001-1000000000	
	527

During the period under question:

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

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 15,294,150/-. If the same were not made the NAV per unit/ FY 2013 return of scheme would be higher by Rs. 0.0877/ 0.90%. For details investors are advised to read note 15 of the latest Financial Statement of the Scheme for the year ended June 30, 2013.

Review Report to the Unitholders' of NAFA Income Opportunity Fund ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund'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 30 June 2013.

Date: 27 August 2013
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Independent Auditors' Report to the Unit Holders

Report on the Financial Statements

We have audited the accompanying financial statements of **NAFA Income Opportunity Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2013 and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' Fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on Other Legal and Regulatory Requirements

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

Date: August 27, 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

Statement of Assets and Liabilities
As at 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Balances with banks	4	**716,381**	261,841
Investments	5	**1,074,391**	1,196,892
Profit receivable	6	**97,241**	102,073
Advance, deposit, prepayment and other receivable	7	**464,978**	464,857
Total assets		**2,352,991**	2,025,663
LIABILITIES			
Payable to the NBP Fullerton Asset Management Limited - Management Company	8	**2,838**	2,190
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	**198**	177
Payable to the Securities and Exchange Commission of Pakistan	10	**1,243**	1,504
Payable on redemption of units	7.1	**440,064**	440,064
Accrued expenses and other liabilities	11	**39,296**	36,196
Total liabilities		**483,639**	480,131
NET ASSETS		**1,869,352**	1,545,532
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		**1,869,352**	1,545,532
CONTINGENCY AND COMMITMENT	12		
		(Number of units)	
Number of units in issue	13	**175,369,497**	159,963,866
		(Rupees)	
NET ASSETS VALUE PER UNIT		**10.6595**	9.6618

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Income Statement
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
INCOME			
Capital (loss) / gain on sale of investments - net		**(587)**	4,745
Income from term finance certificates		**266,865**	241,691
Income from treasury bills		**14,441**	333
Profit on saving accounts		**32,865**	10,987
Income from money market placements		**2,798**	-
Reversal of appreciation on maturity of investment classified as financial assets at fair value through profit or loss - net		**-**	(446)
Unrealised diminution on remeasurement of investments classified as financial assets at fair value through profit or loss - net	*5.6*	**(19,423)**	(1,286)
Recovery on partial settlement of liability	*5.5.4*	**49,693**	-
		346,652	256,024
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	*8.1*	**24,870**	30,078
Sindh sales tax on remuneration of Management Company	*8.2*	**3,979**	4,812
Federal excise duty on remuneration of Management Company	*8.3*	**219**	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	*9*	**2,259**	2,554
Annual fee to Securities and Exchange Commission of Pakistan	*10*	**1,244**	1,504
Securities transaction cost		**7**	171
Settlement and bank charges		**234**	257
Annual listing fee		**40**	40
Auditors' remuneration	*14*	**501**	490
Fund rating fee		**121**	220
Legal and professional charges		**40**	3,080
Printing Charges		**10**	-
Provision against non-performing term finance certificates and sukuks	*5.7.1*	**155,433**	457,278
		188,957	500,484
Net income / (loss) from operating activities		**157,695**	(244,460)
Provision for workers' welfare fund	*15*	**(3,154)**	-
Net income / (loss) before taxation		**154,541**	(244,460)
Taxation	*16*	**-**	-
Net income / (loss) for the year		**154,541**	(244,460)

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
Net income / (loss) for the year		**154,541**	(244,460)
Other comprehensive income for the year			
Items to be reclassified to income statement in subsequent periods:			
Unrealised appreciation on re-measurement of investments classified as 'available for sale' - net	5.5	**15,806**	14,100
Reversal of diminution in the value of investments pertaining to non-performing investments		**-**	202,293
Total comprehensive income / (loss) for the year		**170,347**	(28,067)

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Distribution Statement
For the year ended 30 June 2013

	2013	2012
	(Rupees in '000)	
Undistributed income brought forward		
Realised income	**472,917**	530,681
Unrealised loss	**(444,464)**	(203,396)
	28,453	327,285
Net income / (loss) for the year	**154,541**	(244,460)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	**4,627**	19,731
Distribution:		
Final distribution for the year ended 30 June 2012: Nil (2011: 2.961%) (Date of distribution: 04 July 2011)		
- Cash distribution	**-**	(45,214)
- Bonus units	**-**	(28,889)
Total distribution	**-**	(74,103)
Undistributed income carried forward	**187,621**	28,453
Undistributed income comprising:		
- Realised income	**346,671**	472,917
- Unrealised loss	**(159,050)**	(444,464)
	187,621	28,453

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Statement of Movement in Unit Holders' Fund
For the year ended 30 June 2013

	2013	2012
	(Rupees in '000)	
Net assets at beginning of the year	**1,545,532**	2,505,164
Issue of 21,534,730 units (2012: 350,986 units)	**214,643**	3,347
Issue of bonus units Nil (2012: 2,974,034 bonus units)	**-**	28,889
Redemption of 6,129,099 units (2012: 93,627,826 units)	**(61,170)**	(889,698)
	153,473	(857,462)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	**(4,627)**	(19,731)
Unrealised appreciation on re-measurement of investments classified as available for sale - net	**15,806**	14,100
Reversal of diminution in the value of investments pertaining to non-performing investments	**-**	202,293
Capital (loss) / gain on sale of investments - net	**(587)**	4,745
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net	**(19,423)**	(1,286)
Other net income / (loss) for the year	**174,551**	(247,919)
	154,541	(244,460)
Distribution:		
Final distribution for the year ended 30 June 2012: Nil (2011: 2.961%) (Date of distribution: 04 July 2011)		
- Cash distribution	**-**	(45,214)
- Bonus units	**-**	(28,889)
Total distribution	**-**	(74,103)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	**4,627**	19,731
Net assets at end of the year	**1,869,352**	1,545,532
Net assets value per unit at beginning of the year	**9.6618**	10.0100
Net assets value per unit at end of the year	**10.6595**	9.6618

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Cash Flow Statement
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year		**154,541**	(244,460)
Adjustments for:			
Unrealised diminution on remeasurement of investments classified as financial assets at fair value through profit or loss - net		**19,423**	1,286
Reversal of appreciation on maturity of investment classified as financial assets at fair value through profit or loss - net		**-**	446
Provision against non-performing term finance certificates and sukuks		**155,433**	457,278
Provision for workers' welfare fund		**3,154**	-
Recovery on partial settlement of liability		**(49,693)**	-
		282,858	214,550
Decrease / (increase) in assets			
Investments		**13,144**	870,130
Dividend and profit receivable		**4,832**	77,274
Advance, deposit, prepayment and other receivable		**(121)**	2,489
Net decrease in assets		**17,855**	949,893
(Decrease) / increase in liabilities			
Payable to the Management Company		**648**	(1,122)
Payable to the Central Depository Company of Pakistan		**21**	(79)
Payable to the Securities and Exchange Commission of		**(261)**	(957)
Accrued expenses and other liabilities		**(54)**	(50)
Net increase / (decrease) in liabilities		**354**	(2,208)
Net cash flows from operating activities		**301,067**	1,162,235
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issuance of units		**214,643**	3,347
Payments against redemption of units		**(61,170)**	(889,706)
Distributions paid		**-**	(45,214)
Net cash flows from / (used in) financing activities		**153,473**	(931,573)
Net increase in cash and cash equivalents		**454,540**	230,662
Cash and cash equivalents at beginning of the year		**261,841**	31,179
Cash and cash equivalents at end of the year	*4*	**716,381**	261,841

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Notes to and forming part of the Financial Statements
For the year ended 30 June 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity Fund ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 11 February 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 January 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters.

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 was situated at 9th Floor, Adamjee House, I.I.Chundrigar Road, Karachi. From 4 February 2013, the principal office of the Management Company is shifted to 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

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

The core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return. The principal activity of the Fund is to make investments in money market and debt securities having a good credit rating and liquidity subject to the guidlines prescribed by SECP. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2 to the Management Company and a stability rating of BBB+(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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Accounting convention

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments andimpairment thereagainst (note 3.1.1 and 3.1.6).

2.5 Standards, interpretations and amendments which became effective during the year

Following are the amendments of approved accounting standards which became effective for the current period:

-IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

-IAS 12 - Deferred tax on investment property (Amendment)

The adoption of the above amendments of the standards did not have any impact on the financial statements except for additional disclosures as required by IAS 1 amendment.

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment is not likely to have significant impact on financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have significant impact on financial statements of the Fund.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations. This amendment is not likely to have significant impact on financial statements of the Fund.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements.

3.1 Financial Assets

3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets in accordance with the requirement of International Accounting Standard (IAS)39: ' Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

a) Loans and receivables

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

b) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

c) Held to maturity

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

d) Available for sale

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

3.1.2 Regular way contracts

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

3.1.3 Initial recognition and measurement

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

3.1.4 Subsequent measurement

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

a) Basis of valuation of debt securities

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012 (which is essentially the same as contained in Circular No. 1 of 2009, previously used). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of equity securities

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

c) Basis of valuation of Government Securities

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

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

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

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

3.1.5 Spread transactions (Ready-future transactions)

Investment in such 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".

3.1.6 Impairment of financial assets

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

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 33 of 2012 dated 24 October 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of 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.

3.2 Financial liabilities

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

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

3.3 Offsetting of financial assets and liabilities

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

3.4 Derivative Financial Instruments

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

3.5 Provision

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

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

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

3.7 Proposed distribution

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. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders.

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. The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is credited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the sale proceeds of units. Upon redemption of units, the 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is debited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the redemption price.

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' during the year is included in the amount available for distribution to the unit holders.

3.10 Earnings per unit

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

3.11 Net Assets Value Per Unit

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

3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on 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.

- Unrealised gains / (losses) arising on revaluation of investments classified as ' Available sale investments ' are included in the Other Comprehensive Income in the period in which they arise.

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

- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

3.13 Cash and cash equivalents

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

4 BALANCES WITH BANKS

	Notes	2013	2012
		(Rupees in '000)	
Current accounts		**372**	93
Savings accounts	*4.1*	**716,009**	261,748
		716,381	261,841

4.1 These accounts carry profit at rates ranging from 5% to 12% (2012: 5% to 12%) per annum.

5 INVESTMENTS

	Notes	2013	2012
Financial assets 'At fair value through profit or loss' - held for trading			
Equity securities - listed	*5.1*	**-**	-
Market Treasury bills	*5.2*	**-**	-
Term finance certificates	*5.3*	**293,978**	42,256
		293,978	42,256
Available for sale			
Equity Securities - listed	*5.4*	**46,784**	-
Term finance certificates - listed	*5.5*	**232,201**	328,643
Term finance certificates - unlisted	*5.5*	**215,830**	443,372
Sukuk bonds	*5.5*	**235,596**	382,621
		730,411	1,154,636
Loans and receivable			
Investment in certificate of investments	*5.8*	**50,002**	-
		1,074,391	1,196,892

5.1 Equity securities - listed

Name of the investee company	Number of shares					Value as at 30 June 2013	Investment as a percentage of		
	As at 01 July 2012	Purchases during the year	Bonus	Sales during the year	As at 30 June 2013	(Rupees in '000)	Net assets	Market value of total investments	Paid-up capital of investee company
Fully paid ordinary shares of Rs 10 each.									
Textile composite									
Azgard Nine Limited (Non-voting)	308	-	-	-	308	-	-	-	-
					308	-	-	-	-

Cost of investment as at 30 June 2013	13
Provision as at 30 June 2013	(13)
	-

4 **Market Treasury Bills**

Issue Date	Tenure	Face value: As at 1 July 2012	Face value: Purchases during the year	Face value: Sales during the year	Face value: As at 30 June 2013	Market value as at 30 June 2013	Investment as a %age of: Market value of net assets	Investment as a %age of: Market value of total investments
11 August 2011	12 Months	-	180,000	180,000	-	-	-	-
31 May 2012	3 Months	-	5,500	5,500	-	-	-	-
9 August 2012	3 Months	-	180,000	180,000	-	-	-	-
23 August 2012	3 Months	-	35,000	35,000	-	-	-	-
6 September 2012	3 Months	-	30,000	30,000	-	-	-	-
14 June 2012	6 Months	-	105,000	105,000	-	-	-	-
20 September 2012	3 Months	-	50,000	50,000	-	-	-	-
4 October 2012	3 Months	-	83,500	83,500	-	-	-	-
18 October 2012	3 Months	-	10,000	10,000	-	-	-	-
1 November 2012	3 Months	-	200,000	200,000	-	-	-	-
1 November 2012	6 Months	-	7,000	7,000	-	-	-	-
15 November 2012	3 Months	-	350,000	350,000	-	-	-	-
29 November 2012	3 Months	-	250,000	250,000	-	-	-	-
13 December 2012	3 Months	-	187,500	187,500	-	-	-	-
13 December 2012	6 Months	-	187,500	187,500	-	-	-	-
13 December 2012	12 Months	-	187,500	187,500	-	-	-	-
10 January 2013	3 Months	-	250,000	250,000	-	-	-	-
10 January 2013	6 Months	-	250,000	250,000	-	-	-	-
10 January 2013	12 Months	-	250,000	250,000	-	-	-	-
24 January 2013	3 Months	-	250,000	250,000	-	-	-	-
24 January 2013	6 Months	-	250,000	250,000	-	-	-	-
24 January 2013	12 Months	-	250,000	250,000	-	-	-	-
21 February 2013	3 Months	-	250,000	250,000	-	-	-	-
21 February 2013	6 Months	-	250,000	250,000	-	-	-	-
21 February 2013	12 Months	-	250,000	250,000	-	-	-	-
21 March 2013	3 Months	-	250,000	250,000	-	-	-	-
16 May 2013	6 Months	-	150,000	150,000	-	-	-	-
30 May 2013	6 Months	-	150,000	150,000	-	-	-	-
30 May 2013	12 Months	-	175,000	175,000	-	-	-	-
13 June 2013	12 Months	-	250,000	250,000	-	-	-	-
						-		

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

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 15 January 2008 which has a face value of Rs 100,000.

Name of the investee company	As at 01 July 2012	Purchases during the year	Sales / *Matured during the year	As at 30 June 2013	Market value / carrying value* as at 30 June 2013	Market value as a percentage of net assets	Market value as a percentage of total investments	Percentage of issue size of debt security held
	----------Number of certificates---------				(Rupees in '000)			
Term finance certificates								
Bank Alfalah Limited - II	128	-	*128	-	-	0.00%	0.00%	0.05%
Bank Alfalah Limited - V	-	20,000	-	20,000	101,567	5.43%	4.32%	0.40%
Bank Al-Habib Limited	-	500	-	500	2,522	0.13%	0.11%	0.19%
Engro Fertilizer Limited	-	5,200	-	5,200	25,601	1.37%	1.09%	0.13%
Escort Investment Bank Limited	10,000	-	-	10,000	5,526	0.30%	0.23%	10.00%
Gharibwal Cement Limited (note 5.3.4)	5,000	-	-	5,000	-	-	-	-
Pace (Pakistan) Limited (note 5.3.5)	30,000	-	-	30,000	-	-	-	10.00%
Saudi Pak Leasing Company Limited (note 5.3.6)	15,000	-	-	15,000	22,762	1.22%	0.97%	10.00%
Short Term Islamic Sukuks - unlisted (note 5.3.7)								
Hub Power Company Limtied	-	10,200	-	10,200	51,000	2.73%	2.17%	0.44%
Hub Power Company Limtied	-	17,000	-	17,000	85,000	4.55%	3.61%	0.77%
				112,900	**293,978**			
Carrying value of investments as at 30 June 2013					**487,577**			
Provision for impairment losses as at 30 June 2013					**174,176**			

5.3.2 Significant terms and conditions of term finance certificates and sukuk bonds outstanding as at 30 June 2013 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Escort Investment Bank Limited	749	8% fixed rate	15 March 2007	15 September 2014
Engro Fertilizer Limited	4989	1.55% + 6 month KIBOR	30 November 2007	30 November 2015
Gharibwal Cement Limited	4871	3% + 6 month KIBOR	18 January 2008	18 January 2013
Pace (Pakistan) Limited II	4994	2% + 6 month KIBOR	15 February 2008	15 February 2013
Saudi Pak Leasing Company Limited	3035	6% fixed rate	13 March 2008	13 March 2017
Bank Alfalah Limited - V	5000	1.25% + 6 month KIBOR	28 December 2012	28 December 2020
Bank Al-Habib Limited	4988	1.95% + 6 month KIBOR	7 February 2007	7 February 2015
Engro Fertilizer Limited	4989	1.55% + 6 month KIBOR	30 November 2007	30 November 2015
HUBCO Short Term Islamic Sukuk	5000	1.25% + 6 month KIBOR	13 March 2013	12 September 2013
HUBCO Short Term Islamic Sukuk	5000	1.25% + 6 month KIBOR	14 February 2013	14 August 2013

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

5.3.4 This represents investment in privately placed term finance certificates. On 18 July 2009, the scheduled redemption date, principal redemption of Rs. 5 thousands and profit redemptionof Rs. 2.291 million were not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investments in terms of the said circular. The income suspended on these term finance certificates up to 30 June 2013 amounted to Rs. 14.577 million.

5.3.5 This represents investment in listed term finance certificates with a term of five years. On 15 August 2011, the scheduled profit payment date, principal redemption of Rs.30 thousands and profit redemption of Rs.11.806 million were not received by the Fund. The investment has been fully provided. The income suspended on these term finance certificates up to 30 June 2013 amounted to Rs. 49.628 million.

5.3.6 This represents investment in listed term finance certificates. During the year, the status of these Sukuk Certificates initially has been changed from non-performing to performing based on compliance with terms and installments recognised on due dates. Therefore, provision for impairment made upto 30 June 2012 amounting to Rs. 16.895 million has been reversed. These have been revalued at prevailing rate quoted by the MUFAP as at 30 June 2013 and income thereon has been recognised accordingly in accordance with the requirements of Circular No. 33 of 2012 issued by SECP. The unrealised loss of Rs. 22.762 million due to marked to MUFAP's rate has been taken to statement of comprehensive income based on its categorisation as performing

5.3.7 As per clause 2B(i)(a) of circular no. 33 of 2012, investment in thinly and non-traded debt securities with maturity of up to six months are valued at their amortised cost.

5.4 Equity Seceurities - available for sale

Name of the investee company	Number of shares				Market value / Carrying value as at 30 June 2013	Investment as a %age of		
	As at 1 July 2012	Purchases during the year	Sales during the year	As at 30 June 2013		Market value of net assets	Market value of total investments	Paid up capital of investee company
Fully paid ordinary shares of Rs 10 each								
Chemicals								
Agritech Limited (note 5.4.1)	-	4,040,090	-	4,040,090	46,784	2.50%	1.99%	1.03%
					46,784			
Carrying value as at 30 June 2013					49,693			

5.4.1 This represents shares received in partial settlement against TFC of Azgard Nine limited as more fully explained in note 5.5.4. These shares have been marked to market at prevailing market price as of 30 June 2013 after obtaining approval from Securities and Exchange Commission of Pakistan.

5.5 Term finance certificates and sukuk bonds - Available for sale

Name of the investee company	As at 01 July 2012	Purchases during the year	Sales / *Matured during the year	As at 30 June 2013	Market value / carrying value* as at 30 June 2013 (Refer not 5.5)	Market value as a percentage of net assets	Market value as a percentage of total investments	Percentage of issue size of debt security held
	----------Number of certificates---------				(Rupees in '000)			
Term finance certificate - listed								
Pakistan Mobile Communications (Private) Limited	34,000	-	3,400	30,600	153,055	8.19%	6.50%	9.18%
World Call Telecom Limited (note 5.5.3)	45,000	-	-	45,000	14,456	0.77%	0.61%	5.63%
Allied Bank Limited	13,400	-	-	13,400	64,690	3.46%	2.75%	4.00%
				89,000	232,201			
Term finance certificate - unlisted								
Avari Hotels International	35,040	-	-	35,040	66,767	3.57%	6.21%	5.57%
Azgard Nine Limited III (note 5.5.4)	50,000	-	-	50,000	-	0.00%	0.00%	10.00%
Azgard Nine Limited V (note 5.5.5)	-	16,436	-	16,436	-	-	-	-
Dewan Cement Limited (note 5.5.6)	30,000	-	-	30,000	-	-	-	-
Engro Chemical Pakistan Limited	35,800	-	4,000	31,800	149,063	7.97%	13.87%	7.75%
New Allied Electronics Industries (Private) Limited (note 5.5.7)	15,000	-	-	15,000	-	0.00%	0.00%	-
Orix Leasing Pakistan Limited (note 5.3.1)	3,900	-	3,900	-	-	0.00%	0.00%	0.44%
Agritech Limited I (note 5.5.8)	30,000	-	-	30,000	-	0.00%	0.00%	10.00%
Agritech Limited V (note 5.5.9)	6,464	-	-	6,464	-	0.00%	0.00%	10.00%
				214,740	215,830			
Sukuk bonds								
Eden Builders Limited	7,956	-	-	7,956	7,475	0.40%	0.70%	1.59%
Eden Housing Limited (note 5.5.10)	9,200	-	-	9,200	9,551	0.51%	0.89%	-
Kohat Cement Company Limited	50,000	-	-	50,000	28,420	1.52%	2.65%	10.00%
Maple Leaf Cement Factory Limited (note 5.5.11)	80,000	-	-	80,000	143,660	7.69%	13.37%	5.00%
Maple Leaf Cement Factory Limited - II (note 5.5.11)	3,000	-	*3,000	-	-	-	-	-
New Allied Electronics Industries (Private) Limited (note 5.5.7)	9,000	-	-	9,000	-	-	-	-
Pak Elektron Limited (note 5.5.12)	24,000	-	-	24,000	12,857	0.69%	1.20%	10.00%
BRR Guardian Modaraba	10,000	-	-	10,000	33,633	1.80%	3.13%	6.25%
				190,156	235,596			
				493,896	683,627			
Carrying value of investments as at 30 June 2013					1,604,593			
Provision for impairment losses as at 30 June 2013					939,681			

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

5.5.1 Significant terms and conditions of term finance certificates and sukuk bonds outstanding as at 30 June 2012 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Term finance certificate - listed				
Pakistan Mobile Communications (Private) Limited	5,000	1.65% + 6 Month KIBOR	28 October 2008	28 October 2013
World Call Telecom Limited	2,142	1.60% + 6 Month KIBOR	7 October 2008	7 October 2013
Allied Bank Limited	4,993	0.85% + 6 Month KIBOR	28 August 2009	28 August 2019
Term finance certificate - unlisted				
Avari Hotels International	1,861	2.5% + 6 Month KIBOR	30 April 2009	1 November 2014
Azgard Nine Limited	2,168	2.25% + 6 Month KIBOR	4 December 2007	4 December 2014
Dewan Cement Limited	5,000	2% + 6 Month KIBOR	14 January 2008	14 January 2014
Engro Chemical Pakistan Limited	5,000	1.7% + 6 Month KIBOR	18 March 2008	18 March 2018
New Allied Electronics Industries (Private) Limited	2,114	3% + 3 Month KIBOR	15 May 2007	15 May 2011
Agritech Limited I	4,995	1.75% + 6 Month KIBOR	30 November 2007	30 November 2014
Agritech Limited V	5,000	11% fixed rate	28 October 2011	28 April 2017
Sukuk bonds				
BRR Guardian Modaraba	4,484	1 Month KIBOR	7 July 2008	7 December 2016
Eden Builders Limited	938	2.3% + 3 Month KIBOR	8 September 2008	8 March 2014
Eden Housing Limited	1,594	2.5% + 6 Month KIBOR	29 March 2008	29 September 2014
Kohat Cement Company Limited	758	2.5% + 6 Month KIBOR	20 December 2007	20 December 2015
Maple Leaf Cement Factory Limited	4,489	1% + 3 Month KIBOR	3 December 2007	3 December 2018
New Allied Electronics Industries (Private) Limited	4,905	2.2% + 6 Month KIBOR	3 December 2007	3 December 2012
Pak Elektron Limited	2,143	1.75% + 3 Month KIBOR	28 September 2007	28 September 2012

5.5.2 Fair value of all performing term finance certificates, except term finance certificates of Allied Bank Limited and Avari Hotels International, classified as available for sale is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP). Term finance certificates of Allied Bank Limited and Avari Hotels International are valued at discretionary rates within the limits as specified by SECP circular no.33 of 2012.

5.5.3 MUFAP, on 8 November 2012 classified the TFCs as non-performing due to non payment during extended period. In accordance with the requirements of circular 33 of 2012 issued by the SECP, the security has been classified as non-performing. Subsequently, on 26 December 2012 a restructuring agreement was approved by the TFCs holders. In accordance with the terms of restructuring, repayment period has been extended by two years and the principle amount is to be settled in three equal installments starting from 7 October 2014. Payment of accrued markup as at 7 October 2012 along with regular markup payments is to be made in eleven installments starting from 7 January 2013 with major payments due on 7 July 2014 and afterwards. Currently, a provision of Rs. 49.791 million is held against the outstanding exposure.

5.5.4 On 12 April 2012, a share transfer and debt swap agreement was entered into between the Financial Institutions and Azgard Nine Limited (the issuer), whereby the issuer agreed to transfer its entire holding in Agritech Limited to the existing lenders / creditors, including the Term Finance Certificate (TFC) holders at the agreed settlement price, in partial settlement of the outstanding principal / redemption obligations. As part of the above arrangement, the Fund settled its investment in TFC of Azgard Nine Limited amounted to Rs. 141,403,150 in consideration of 4,040,090 ordinary shares at the value of Rs.35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transcation date i.e. 31 October 2012. Accordingly, the same have been classified as available for sale investment and are recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.

Term Finance Certificates	**30 June 2013**	30 June 2012
	(Rupees in '000)	
Azgard Nine Limited as at 1 July	**249,800**	249,800
Settlement through ordinary shares	**49,693**	-
Balances written off	**91,710**	-
	(141,403)	-
	108,397	249,800
Less:		
Provision as at 1 July	**249,800**	249,800
Recovery - fair value of ordinary shares of Agritech Limited received on partial settlement of investment	**49,693**	-
Provision written back	**91,710**	-
	(141,403)	-
	108,397	249,800
Carrying value at year end	**-**	-

As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited shares shall be held by the respective trustees for the TFC issues in their name for and on behalf of the TFC Holders who shall be the beneficial owners of the subjected shares in proportion to their holdings.

The Trustees for the TFC issue are authorized pursuant to shareholders investors agreement to hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. During the lock in period of five years, shares can be sold to an outside buyer subject to a prior written approval of the investors, however, no such approval is required for inter financier sale.

5.5.5 These zero coupon privately placed term finance certificates (PPTFCs) were issued against the interest receivable on TFCs of Azgard Nine Limited (disclosed in note 5.5.4) under an agreement dated 28 June 2012 between the Management Company of the Company and Azgard Nine Limited. These PPTFCs are issued against the non performing securities, therefore the management, as a matter of prudence has recognised the above PPTFCs at nil value. The principal outstanding against these PPTFCs is to be redeemed in seven equal semi-annual instalments starting from 31 March 2014 and will mature on 31 March 2017. These PPTFCs have been classified as Non Performing Asset by MUFAP on 07 December 2012.

5.5.6 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 09 January 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. These investments have been fully provided.

5.5.7 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.

5.5.8 Agritech Limited defaulted in payment of principal and mark-up due on 30 May 2010. The investment has been fully provided.

5.5.9 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The investment has been fully provided.

5.5.10 This represents investment in privately placed sukuk bonds issue with a term of five years. On 6 May 2011, these Sukuks have been classified as non performing by MUFAP. Accordingly the Fund has valued these sukuks at the price lower than the last price quoted by MUFAP. Although the Fund has received all installments due as per restructured terms, accrual of profit has been suspended and all income has been recognised on receipt basis.

5.5.11 The sukuks of Maple Leaf Cement Factory Limited (MLCFL) were restructured on 30 March 2010. In accordance with the terms of restructuring, the amount of markup due on 03 December 2009 was partially off-set through issuance of new sukuks, "Maple Leaf Cement Factory Limited Sukuk II". The Sukuk II had been recognised at NIL value on a prudent basis and in accordance with the guidance specified by SECP which require overdue mark-up to be recognised on cash basis. The Issuer defaulted again in the payment of principal and mark-up due on 03 September 2011. In accordance with the requirements of circular 33 of 2012 issued by SECP, the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. Upto 31 December 2012, the amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular while considering date of default as 03 September 2011 amounted to Rs.227.49 million.

During the year, the Fund has received principal amounted to Rs. 40 million (4 installments of 10 million each) with mark up of Rs. 63.673 million. In addition, the Fund's total exposure in Maple Leaf-II of Rs. 15 million has been received along with mark up of Rs. 1.192 million. MUFAP after consultation and discussion with SECP has confirmed that MLCFL should be classified as non-performing and has instructed to mutual funds to suspend further provisiong as required under Circular 33 of 2012 after considering the fact that MLCFL has started performing in accordance with the revised rescheduling terms. MUFAP confirmed that provisioning status quo (in terms of percentage) should be maintained and additional provisioning shall be stopped till the asset becomes performing. Accordingly, provision as at 30 June 2013 has been maintained represents sixty percent of the outstanding balance. However, profit is being recorded by the Fund on receipts basis in accordance with the requirements of Circular 33 of 2012. The income suspended on these sukuk bonds upto 30 June 2013 amounted to Rs. 8.753 million.

5.5.12 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 1.93 million was not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 30 June 2013 amounted to Rs.2.917 million.

5.5.13 The term finance certificates and sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the user.

5.6 Unrealised diminution on remeasurement of investments classified as financial assets at fair value through profit or loss - net

	2013	2012
	(Rupees in '000)	
Market value of investments	**293,978**	42,256
Less: carrying value of investments	**(487,577)**	(168,000)
	(193,599)	(125,744)
Provision against non-performing TFCs		
Balance as at 1 July	**191,071**	24,356
(Reversal) / provision made during the year	**(16,895)**	166,715
Balance as at 30 June	**174,176**	191,071
Less: Reversal of unrealised loss	**-**	(67,059)
Reversal of appreciation on maturity of investment classified as financial assets at fair value through profit or loss - net	**-**	446
	174,176	124,458
	(19,423)	(1,286)

5.7 Unrealised appreciation on remeasurement of investments classified as available for sale - net

		2013	2012
		(Rupees in '000)	
Market value of investments		**730,411**	1,154,636
Less: Carrying of investments		**(1,654,286)**	(2,049,291)
		(923,875)	(894,655)
Provision against non-performing TFCs and sukuks			
Balance as at 1 July		**908,755**	551,133
Provision made during the year		**191,819**	357,622
Written off during the year		**(91,730)**	-
Reversal of provision due to recovery		**(49,693)**	-
Reversal of provision due to redemption of principal		**(19,470)**	-
Balance as at 30 June		**939,681**	908,755
		15,806	14,100

5.7.1 Movement in provision against non-performing term finance certificates and sukuks

	2013	2012
Balance as at 1 July	**1,099,826**	575,489
Add: Charge for the year	**174,924**	524,337
	1,274,750	1,099,826
Reversal of unrealised loss	**-**	(67,059)
Reversal of provision due to recovery	**(49,693)**	-
Reversal of provision due to redemption of principal	**(19,470)**	-
Written off during the year	**(91,730)**	-
Balance as at 30 June	**1,113,857**	1,032,767

5.8 This represents certificates of investments of Pak Brunei Investment Company carrying mark up rate of 9.45% and will matured on 25 September 2013.

6 PROFIT RECEIVABLE

	Note	2013	2012
		(Rupees in '000)	
Profit on savings account		**53,755**	51,773
Profit on Certificate of investments		**78**	-
Provsion against accrued profit	*7.1*	**(17,012)**	(17,012)
		36,821	34,761
Income accrued on term finance certificates and sukuk bonds - net		**60,420**	67,312
		97,241	102,073

7 ADVANCE, DEPOSIT, PREPAYMENT AND OTHER RECEIVABLE

	Note	2013	2012
Advance tax		**1,532**	1,532
Security deposits with Central Depository Company of Pakistan Limited		**100**	100
Prepaid rating fee		**121**	-
Receivable from KASB Bank Limited	*7.1*	**463,225**	463,225
		464,978	464,857

7.1 This represents receivable of Rs. 463.225 million on account of deposit maintained with KASB Bank ("the Bank").

The Fund claims profit at the rate 13 percent on its Mahana Khazan account maintained with the Bank, since 23 June 2008 to 10 February 2011. Whereas, the Bank did not credit / pay the due mark up at agreed rate, as the Bank did not get expected profit on its investment in units of the Fund for the same period. Based on said presumption, the Bank credited profit at the rate of 5 percent per annum, whereas, no guarantee / commitment was given to the Bank by the Fund in respect of rate of return. The Fund, on a prudent basis, accrued the mark up for the said period at 8 percent per annum, a minimum rate which the Bank offered to all its corporate customers. Subsequently, the management has been engaged in continuous efforts for recovery of profit at the rate of 13 percent and had several meeting with the official of the Bank.

On 10 February 2011, the Fund requested to the Bank to withdraw its entire deposit. The Bank has also filed for the redemption of their entire investment in the Fund on the same date. The Bank declined to honour the Fund's withdrawal request linking it with paying their redemption amount before releasing the Fund's deposit. On 01 April 2011, the Bank unilaterally set off the redemption value of the Bank's investment in the Fund with the Fund's deposit with the Bank and credited the principal of Rs 187.008 million plus profit of Rs. 24.64 million at the rate of around 5 percent after making an adjustment of Rs 463.225 million on account of redemption of its units. The Fund accepted the amount under protest, being part payment of total amount receivable and referred this case to the Banking Mohtasib for resolution while claiming profit at the rate of 13 percent. The management, at parallel, continued its negotiation with the Bank through the Trustee. The Trustee informed to the Fund that the Bank offered the rate of 7 percent from retrospective affect to settle the transaction. The Trustee advised to the management to meet with the Bank officials once again on this issue and try to recover the profit at better rate. The Management Company was making every effort for recovery of profit at the rate higher than 7 percent. However on prudent basis, it brought down the accrued profit at 7 percent and has maintained provision of Rs. 17 million there against.

In this regard, the management has filed a recovery suit against the Bank with the Sindh High Court. The Securities and Exchange Commission of Pakistan (SECP) vide its Order dated 12 August 2011 under Section 282J (1) and 282J (2) of the Companies Ordinance, 1984, required the Management Company to make the loss of Rs.19 million good to the Fund's unit holders in addition to a penalty of Rs. 1 million.

Unexpectedly, the Management Company received above order while the management was pursuing this case with the Banking Mohtasib and the High Court for the benefits of the unit holders and therefore was unable to understand as to how SECP without having final discussion issued such an order. Moreover, the Management is of the view that the regulators' second-guessing of decisions of the management based on the hindsight information would be detrimental to the business. The Management Company filed an appeal with the Appellate Bench of SECP on 26 August 2011 and the Bench suspended the said order till the issuance of final order.

During the year ended 30 June 2012, the Management Company has filed petition before the Honorable High Court of Sindh for resolution of dispute with the Bank. The hearing of the case is pending to date. However, the Management Company is confident that the matter would be resolved in the Fund's favour.

8 PAYABLE TO THE NBP FULLERTON ASSET MANAGEMENT LIMITED

		2013	2012
		(Rupees in '000)	
Management fee	*8.1*	**2,257**	1,888
Sindh Sales Tax and Fedral Excise Duty on management fee	*8.2 & 8.3*	**581**	302
		2,838	2,190

8.1 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. Currently, Management fee is being charged at the rate of one and a half percent per annum of the average annual net assets of the Fund and is paid on a monthly basis in arrears.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011.

8.3 With effect from 13 June 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company through Finance Act 2013.

9 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

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 value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

Net Assets	Tariff per annum
Upto Rs 1,000 million	0.17% p.a. of NAV
On an amount Rs 1,000 million to 5,000 million	Rs 1.7 million plus 0.085% p.a. of NAV exceeding Rs 1,000 million
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% p.a. of NAV exceeding Rs 5,000 million

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

Under the provisions of the NBFC Regulations, a collective scheme categorized as an income scheme is required to pay an annual fee to SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

		2013	2012
		(Rupees in '000)	
Auditors' remuneration		**354**	345
Settlement charges payable		**20**	44
Printing charges		**85**	140
Workers' Welfare Fund	*15*	**15,384**	12,230
Contingent load	*7.1*	**23,161**	23,161
Legal Fee		**40**	
Others		**252**	276
		39,296	36,196

12 CONTINGENCY AND COMMITMENT

There is no contingency and commitment outstanding as at 30 June 2013.

13 NUMBER OF UNITS IN ISSUE

	(Number of units)	
Total units in issue at the beginning of the year	**159,963,866**	250,266,672
Add: units issued during the year	**21,534,730**	3,325,020
Less: units redeemed during the year	**(6,129,099)**	(93,627,826)
Total units in issue at the end of the year	**175,369,497**	159,963,866

14 AUDITORS' REMUNERATION

	(Rupees in '000)	
Audit fee	**319**	319
Half yearly review	**128**	128
Out of pocket expenses	**54**	43
	501	490

15 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) in various Ponsitutional Petitions declared that amendments introduced in the WWF Ordinance, 1971 through Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2013. As at 30 June 2013 the management has manitained provision against Workers' Welfare Funds' amouting to Rs. 15.38 million, if the same were not made the net asset value per unit of the Fund would have been higher by Rs. 0.0877.

16 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company subsequently to the year end has declared and distributed sufficient accounting income of the Fund for the year ending 30 June 2013 as reduced by capital gains (whether realised or unrealised) to its unit holders. Accordingly, no tax liability has been recorded in the current year.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2013			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
Assets	---Rupees in '000---			
Balances with banks	716,381	-	-	716,381
Investments	50,002	293,978	730,411	1,074,391
Profit receivable	97,241	-	-	97,241
Receivable from KASB Bank Limited	463,325	-	-	463,325
	1,326,949	293,978	730,411	2,351,338

Liabilities	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	As at 30 June 2013		
	-----------------Rupees in '000-----------------		
Payable to the NBP Fullerton Asset Management Limited - Management Company	-	2,838	2,838
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	198	198
Payable on redemption of units	-	440,064	440,064
Accrued expenses and other liabilities	-	23,912	23,912
	-	467,012	467,012

Assets	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	As at 30 June 2012			
	--------------------------Rupees in '000--------------------------			
Balances with banks	261,841	-	-	261,841
Investments	-	42,256	1,154,636	1,196,892
Profit receivable	102,073	-	-	102,073
Receivable from KASB Bank Limited	463,325	-	-	463,325
	827,239	42,256	1,154,636	2,024,131

Liabilities	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	As at 30 June 2012		
	-----------------Rupees in '000-----------------		
Payable to the NBP Fullerton Asset Management Limited - Management Company	-	2,190	2,190
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	177	177
Payable on redemption of units	-	440,064	440,064
Accrued expenses and other liabilities	-	23,966	23,966
	-	466,397	466,397

18 TRANSACTIONS WITH CONNECTED PERSONS

18.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and its connected persons 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.

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

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

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

18.5 Details of the transactions with connected persons are as follows:

	For the year ended 30 June 2013	For the year ended 30 June 2012
	(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management Company		
Management fee expense for the year	24,870	30,078
Sindh sales tax on management fee	3,979	4,812
Federal excise duty on management fee	219	
National Bank of Pakistan - Sponsor		
Cash dividend	-	1,066
Market treasury bills purchased	350,000	-
Alexandra Fund Management Pte. Limited - Sponsor		
Units redeemed / transferred out Nil units (2012: 802,116 units)	-	7,685
Bonus units issued Nil units (2012: 23,727 units)	-	230
NBP Employees Pension Fund		
Bonus units issued Nil units (2012: 1,656,399 units)	-	16,090
NBP Endowment Fund Student Loan Scheme		
Units redeemed / transferred out Nil units (2012: 18,087,807 units)	-	169,970
Bonus units issued Nil units (2012: 535,045 units)	-	5,197
Summit Bank Limited		
Bank profit	72	-
NBP Employees Benevolent Fund Trust		
Bonus units issued Nil units (2012: 57 units)	-	554
Mr. Shahid Anwar Khan - Director		
Units redeemed / transferred out 3,288 units (2012: Nil units)	34	-
Bonus units issued Nil units (2012: 2,891 units)	-	-
Employees of Management Company		
Units issued / transferred in 8,331 units (2012: Nil units)	86	-
Units redeemed / transferred out 8,331 units (2012: Nil units)	86	-
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration	2,259	2,554
The Hub Power Company Limited		
Purchase	136,000	-
Pak Arab Refinery Limited - Staff Gratuity Fund		
Market treasury bills purchased	5,500	-

	For the year ended 30 June 2013	For the year ended 30 June 2012
	(Rupees in '000)	
18.6 Balances at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	**2,257**	1,888
Federal excise duty on tax on management fee	**219**	-
Sindh Sales tax on management fee	**362**	302
National Bank of Pakistan - Sponsor		
Investment held by the sponsor in the Fund 3,601,691 units (2012: 3,601,691 units)	**38,392**	34,799
Balances in current account	**639**	801
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration payable	**198**	177
Security deposit	**100**	100
NBP Employees Pension Fund		
Investment held in the Fund 55,996,457 units (2012: 55,996,457 units)	**596,894**	541,027
Mr. Shahid Anwar Khan - Director		
Investment held in the Fund 94,454 units (2012: 97,742 units)	**1,008**	944
NBP Employees Benevolent Fund Trust		
Investment held in the Fund 1,929 units (2012: 1,929 units)	**21**	19
The Hub Power Company Limited		
Investment held	**136,000**	-
Summit Bank Limited		
Balance in account	**6,888**	-

19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	Qualification	Experience
1. Dr. Amjad Waheed	MBA/ Doctorate in Businesss Administration / CFA	25
2. Sajjad Anwar	MBA Finance, CFA	13
3. Muhammad Ali Bhabha	CFA, FRM	18
4. Syed Suleman Akhtar	CFA	13
5. Ammar Rizki	MBA	12

19.1 Ammar Rizki is the fund manafer of the fund. He is also the fund manager of NAFA Asset Allocation Fund and NAFA Islamic Aggressive Income Fund

20 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2013
1. Summit Capital Pvt Limited (Formerly Atlas Capital Markets (Pvt) Limited)	26.83%
2. Elixir Securities Pakistan (Pvt) Limited	10.43%
3. Invest One Markets Limited	3.67%
4. OPTIMUS Capital Management Limited	59.07%

	2012
1. Alfalah Securities (Private) Limited	64.52%
2. JS Global Capital Limited	33.72%
3. Invest Capital and Securities (Private) Limited	1.76%

21 PATTERN OF UNIT HOLDING

	As at 30 June 2013		
	Number of unit holders	**Investment amount**	**Percentage investment**
		(Rupees in '000)	
Category			
Individuals	**477**	**52,634**	**2.82%**
Associated companies / Directors	**3**	**635,307**	**33.99%**
Insurance companies	**2**	**44,699**	**2.39%**
Bank / DFIs	**2**	**865,300**	**46.29%**
Retirement funds	**15**	**232,074**	**12.41%**
Public limited companies	**2**	**22**	**0.00%**
Others	**26**	**39,316**	**2.10%**
	527	**1,869,352**	**100%**

	As at 30 June 2012		
	Number of unit holders	Investment amount	Percentage investment
		(Rupees in '000)	
Category			
Individuals	533	60,743	3.93%
Associated companies / Directors	-	-	0.00%
Insurance companies	5	13,027	0.84%
Bank / DFIs	3	842,702	54.53%
Retirement funds	18	604,162	39.09%
Public limited companies	2	20	0.00%
Others	27	24,878	1.61%
	588	1,545,532	100.00%

22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 37th, 38th, 39th, 40th and 41st Board meetings were held on 9 July 2012, 11 September 2012, 23 October 2012, 26 February 2013 and 26 April 2013 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. Shahid Anwar Khan***	5	5	0	
Dr. Asif A. Brohi*	5	1	4	37th, 38th, 40th & 41st meeting
Mr. Khalid Mahmood*	1	0	1	41st meeting
Mr. Wah Geok Sum	5	4	1	41st meeting
Mr. Koh Boon San	5	5	0	
Mr. Shehryar Faruque	5	4	1	37th meeting
Mr. Kamal Amir Chinoy	5	2	3	37th, 39th & 41st meeting
Mr. Amir Shehzad	5	3	2	37th & 39th meeting
Mr. Asif Hassan****	0	0	0	
Dr Amjad Waheed	5	5	0	

* Dr. Asif A. Brohi retried from Board with effect from February 26, 2013
** Mr.Khalid Mahmood was co-opted on the Board with effect from April 11, 2013
*** Mr. Shahid Anwar Khan retried from Board with effect from May 20, 2013
****Mr.Asif Hasan was co-opted on the Board with effect from May 20, 2013

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

As at 30 June 2013, the Fund is compliant with all the requirements of The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009, except for clause 9 (v) requires that the rating of any security in the portfolio shall not be lower than investment grade. Non compliance of the said circular are as follows:

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' -----				
Investment in Debt securities	Azgard Nine Limited III**	108,377	108,377	-	-	-
	Azgard Nine Limited V**	82,180	82,180	-	-	
	Agritech Limited I **	149,860	149,860	-	-	-
	Agritech Limited V **	32,320	32,320	-	-	-
	BRR Guardian Modaraba***	44,844	-	33,633	1.80%	1.43%
	Dewan Cement Limited - **	150,000	150,000	-	-	-
	Eden Housing Ltd. Sukuk II **	14,663	5,112	9,551	0.51%	0.41%
	Escort Investment Bank Limited***	7,494	-	5,526	0.30%	0.23%
	Gharibwal Cement Limited - **	24,356	24,356	-	-	-
	Kohat Cement Limited - Sukuk***	37,894	-	28,420	1.52%	1.21%
	Maple Leaf Cement Factory Limited - Sukuk I **	359,150	215,490	143,660	7.69%	6.11%
	New Allied Electronics Industries (Private) Limited - PPTFC **	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk II **	44,149	44,149	-	-	-
	PACE Pakistan Limited **	149,820	149,820	-	-	-
	Pak Elektron Limited - Sukuk **	51,428	38,571	12,857	0.69%	0.55%
	Saudi Pak Leasing Company Limited ***	45,525	-	22,762	1.22%	0.97%
	Worldcall Telecom Limited **	96,371	81,915	14,456	0.77%	0.61%
Investment in Equity securities	Azgard Nine Limited (Non-voting)	-	-	-	-	-
	Agritech Limited*	46,784	-	46,784	2.50%	1.99%

* These shares are received in partial settlement against TFC of Azgard Nine limited as fully explained in note 5.5.4.
** At the time of purchase, the TFCs and sukuks were in compliance with the aforementioned circular. However, subsequently due to defaults these were downgraded to non investment grade.
*** Book Value, performing but without investment grade.

24 FINANCIAL RISK MANAGEMENT

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

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

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

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

24.1 Market risk

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

Management of market risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP.

24.2 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.

24.3 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 30 June 2013, 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 8.633 million (2012: Rs 8.389 million).

(b) Sensitivity analysis for fixed rate instruments

As at 30 June 2013, the Fund holds certificate of investment and term finance certifciates, exposing the Fund to fair value interst rate risk. In case of 100 basis points increase / decrease in interest rates on 30 June 2013, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.395 Million.

The composition of the Fund's investment portfolio and rates announced by MUFAP is expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

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:

	Yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		30 June 2013				
		Upto three months	Over three months and upto one year	Over one year		
		(Rupees in '000)				
On-balance sheet financial instruments						
Financial assets						
Balances with banks	5% - 12%	716,288	-	-	93	716,381
Investments	6.9% - 16.70%	17,179	853,926	-	203,286	1,074,391
Profit receivable		-	-	-	97,241	97,241
Deposits and receivable		-	-	-	463,446	463,446
		733,467	853,926	-	764,066	2,351,459
Financial liabilities						
Accrued expenses and other liabilities		-	-	-	24,002	24,002
Payable against redemption of units					440,064	440,064
Payable to the NBP Fullerton Asset Management Limited - Management Company		-	-	-	2,638	2,638
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	398	398
		-	-	-	467,102	467,102
On-balance sheet gap		733,467	853,926	-	296,964	1,884,357
Off-balance sheet financial instruments		-	-	-	-	
Off-balance sheet gap		-	-	-	-	
Total interest rate sensitivity gap		278,927	853,926	-	296,964	1,884,357
Cumulative interest rate sensitivity gap		278,927	1,132,853	1,132,853	-	

	Yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		30 June 2012				
		Upto three months	Over three months and upto one year	Over one year		
		(Rupees in '000)				
On-balance sheet financial instruments						
Financial assets						
Balances with banks	5% - 12%	261,748	-	-	93	261,841
Investments	6.9% - 16.70%	17,179	776,989	-	402,724	1,196,892
Profit receivable		-	-	-	102,073	102,073
Deposits and receivable		-	-	-	463,325	463,325
		278,927	776,989	-	968,215	2,024,131
Financial liabilities						
Accrued expenses and other liabilities		-	-	-	23,966	23,966
Payable against redemption of units					440,064	440,064
Payable to the NBP Fullerton Asset Management Limited - Management Company		-	-	-	2,190	2,190
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	177	177
		-	-	-	466,397	466,397
On-balance sheet gap		278,927	776,989	-	501,818	1,557,734
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		278,927	776,989	-	501,818	1,557,734
Cumulative interest rate sensitivity gap		278,927	1,055,916	1,055,916	-	

24.4 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 of currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The fund is exposed to equity price risk because of investment held by the Fund and classified on the Statement of Assets and Liabilities as 'available for sale' and 'at fair value through profit and loss'.

In case of 5% increase / decrease in KSE 100 index on 30 June 2013, with all other variables held constant, net income for the year would not be affected as the Fund does not have any security which is classified at fair value through profit or loss. Net assets of the Fund would increase / (decrease) by Rs. 2.339 million (2012: Rs nil) as a result of gains / (losses) on equity securities classified as available for sale.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 index.

24.5 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.

Management of credit risk

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

Concentration of the credit risk

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

The analysis below summarises the credit quality of the Fund's financial assets as at 30 June 2013.

	2013	2012
	(Rupees in '000)	
Balances with banks		
A1+, A-1+	**400,216**	258,947
A1, A-1	**308,939**	256
A2, A-2	**7,216**	310
A-	**-**	53
P-1	**10**	15
C	**-**	2,260
	716,381	261,841

Investments - Term finance certificates and sukuk bonds	**2013**	2012
AA+, AA, AA-	**457,834**	532,976
A+, A, A-	**248,906**	160,061
BBB+, BBB, BBB-	**-**	-
BB+, BB, BB-	**149,186**	9,210
B+, B, B-	**-**	-
CCC	**-**	-
D	**27,313**	402,363
Non-rated	**94,366**	92,282
	977,605	1,196,892

The maximum exposure to credit risk before any credit enhancement as at 30 June 2013 is the carrying amount of the financial assets.

24.6 Liquidity risk

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

Management of liquidity risk

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

Maturity analysis for financial liabilities

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

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

	30 June 2013			
	Total	**Upto three months**	**Over three months and upto one year**	**Over one year**
	--------------------(Rupees in '000)--------------------			
Financial Liabilities (excluding unit holders' fund)				
Payable to the NBP Fullerton Asset Management Limited - Management Company	**2,838**	**2,838**	**-**	**-**
Payable to the Central Depository Company of Pakistan Limited - Trustee	**198**	**198**	**-**	**-**
Payable on redemption of units	**440,064**	**440,064**	**-**	**-**
Accrued expenses and other liabilities	**23,912**	**23,912**	**-**	**-**
	467,012	**467,012**	**-**	**-**
Unitholders' Fund	**1,869,352**	**1,869,352**	**-**	**-**

	30 June 2012			
	Total	Upto three months	Over three months and upto one year	Over one year
	--------------------(Rupees in '000)--------------------			
Financial Liabilities (excluding unit holders' fund)				
Payable to the NBP Fullerton Asset Management Limited - Management Company	2,190	2,190	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	177	177	-	-
Payable on redemption of units	440,064	440,064	-	-
Accrued expenses and other liabilities	23,966	23,966	-	-
	466,397	466,397	-	-
Unitholders' Fund	1,545,532	1,545,532	-	-

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 33 of 2012 dated 24 October 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 33 of 2012 issued by the SECP.

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

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

- Quoted prices (unadjusted) in active markets for identical assets or Iiablities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	As at 30 June 2013			
ASSETS	**Level 1**	**Level 2**	**Level 3**	**Level 4**
	--------------------(Rupees in '000)--------------------			
Investment in securities - at fair value through profit or loss	**-**	**157,978**	**136,000**	**293,978**
Investment in securities - available for sale	**46,784**	**503,103**	**180,524**	**730,411**
Loans and receivables	**-**	**50,002**	**-**	**50,002**

	As at 30 June 2012			
ASSETS	**Level 1**	**Level 2**	**Level 3**	**Level 4**
	--------------------(Rupees in '000)--------------------			
Investment in securities - at fair value through profit or loss	-	9,423	32,833	42,256
Investment in securities - available for sale	-	751,912	402,724	1,154,636
Loans and receivables	-	-	-	-

The reconciliation of provision in respect of level 3 is stated in note 5.7.1 to the financial statements.

26 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme

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

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or
disposal of investments where necessary.

27 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on 11 July 2013 have proposed a final distribution at the rate of 6.377%. The financial statements of the fund for the year ended 30 June 2013 do not include the effect of the final distribution which will be accounted for in the financial statements of the fund for the year ended 30 June 2014.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 27, 2013.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Performance Table

Particulars	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year ended June 30, 2008	For the year ended June 30, 2007	For the year ended June 30, 2006
Net assets (Rs. '000')	1,869,352	1,545,532	2,505,164	3,914,906	7,665,104	24,043,799	18,248,177	3,874,369
Net Income / (loss) (Rs. '000')	154,541	(244,460)	176,072	285,007	138,143	2,184,127	1,773,340	72,844
Net Asset Value per units (Rs.)	10.6595	9.6618	9.7139	9.8692	9.8959	10.0410	10.0273	10.0016
Offer price per unit	10.6595	9.6618	9.7139	9.8692	9.8959	10.0410	10.0273	10.0016
Redemption price per unit	10.6595	9.6618	9.7139	9.8692	9.8959	10.0410	10.0273	10.0016
Highest offer price per unit (Rs.)	10.6694	9.9146	10.2445	9.9065	9.6888	9.8221	10.0273	10.0016
Lowest offer price per unit (Rs.)	9.6456	9.1192	9.0655	9.2502	9.0403	9.0583	8.9543	9.8163
Highest redemption price per unit (Rs.)	10.6694	9.9146	10.2445	9.9065	9.6888	9.8221	10.0273	10.0016
Lowest redemption price per unit (Rs.)	9.6456	9.1192	9.0655	9.2502	9.0403	9.0583	8.9543	9.8163
Total return of the fund	10.33%	-0.57%	5.49%	5.81%	5.49%	9.83%	10.76%	1.92%
Capital growth	3.95%	-	-1.51%	-0.19%	-1.36%	0.13%	0.26%	0.02%
Income distribution	6.38%	-	7.00%	6.00%	6.85%	9.70%	10.50%	1.90%
Interim distribution per unit			0.3948	0.5937	0.4850	0.2356	-	-
Final distribution per unit	0.6377		0.2961	-	0.2000	0.7359	1.05	0.19
Distribution dates								
Interim		-	18-Feb-11 & 19-Apr-11	28-Oct-09, 17-Feb-10 & 29-Apr-10	16-Oct-08 & 17-Apr-09	15-Apr-08	-	-
Final	11-Jul-13	-	4-Jul-11	-	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, 2013)	6.77%							
(Since inception to June 30, 2012)		6.21%						
(Since inception to June 30, 2011)			7.56%					
(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	39 Days	60 Days	2.89 Years	68 Days	2 Years	2 Years	2 Years	2 Years

"Past performance is not necessarily indicative of future performance and that unit prices and investment return may go down, as well as up."