

*NAFA Funds*  
*Annual Report 2007*



Managed by:  
National Fullerton Asset Management Limited

*Your investments & NAFA grow together*



*Joint - Venture Partners*

**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

National Fullerton Asset Management Limited.

### Board of Directors of the Management Company

Mr. Masood Karim Shaikh	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Gerard Lee How Cheng	Director
Khawaja Iqbal Hassan	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shahid Anwar Khan	Director
Mr. Masroor Ahmed Qureshi	Director

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Masroor Ahmed Qureshi	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

### NAFA CASH FUND

Allied Bank Limited  
 Askari Commercial Bank Limited  
 Bank Alfalah Limited  
 Bank Al-Habib Limited  
 Habib Bank Limited  
 KASB Bank Limited  
 MCB Bank Limited  
 My Bank Limited  
 National Bank of Pakistan  
 NIB Bank Limited  
 PICIC Commercial Bank Limited  
 Saudi Pak Commercial Bank Limited  
 Soneri Bank Limited  
 United Bank Limited  
 Atlas Bank Limited  
 The Bank of Punjab  
 Habib Metropolitan Bank Limited

## NAFA Funds

### Auditors

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

### Legal Advisor

Aly Shah & Co. Advocates and Legal Consultants  
Suite 502, 5th Floor  
Marine Pride, BC-2, Block-7,  
Khayaban-e-Iqbal  
Clifton, Karachi,

### Head Office

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

### Lahore Office

83-A-E/1, Main Boulevard  
Gulberg III  
Lahore,

### Islamabad Office

4th Floor, Ali Plaza  
1-E, Blue Area  
Islamabad,



## DIRECTORS' REPORT

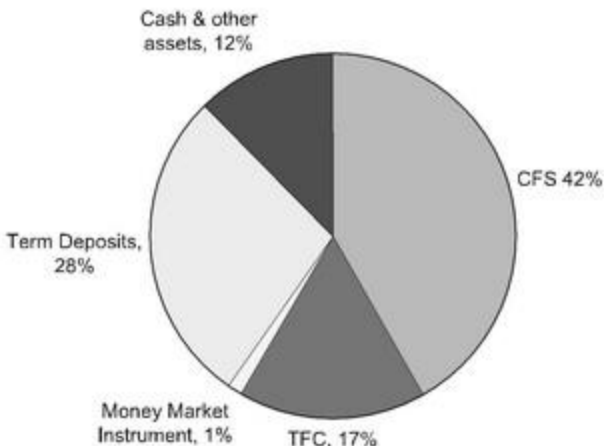
The Board of Directors of National Fullerton Asset Management Limited is pleased to present the second Annual Report of **NAFA Cash Fund** for the year ended June 30, 2007.

### Fund's Performance

Assets under management of NAFA Cash Fund have grown from Rs.3.8 billion to Rs.18.2 billion during the Financial Year 2006-07 i.e., a growth of 371%. This substantial increase in funds under management is a reflection of the confidence posed by the investors in the Management Company. During this period, Unit Price of NAFA Cash Fund has grown from Rs.10.0015 on June 30, 2006 to Rs.11.0773 on June 30, 2007, translating into a return of 10.75%. The benchmark (1-month KIBOR) has grown by 10.04% during the same period, thus NAFA Cash Fund has outperformed the benchmark by 0.72%.

NAFA Cash Fund has earned a total income of Rs.1,983.18 million during the year. After deducting total expenses of Rs. 207.83 million, the net profit is Rs.1,775.36 million, translating into an earning per unit of Rs.1.0757. The asset allocation of NAFA Cash Fund as on June 30, 2007 is as follows:

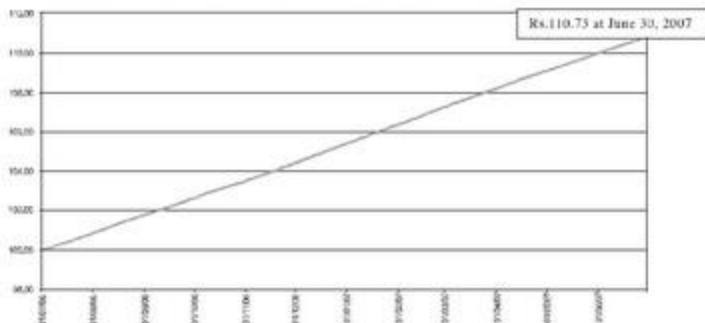
### Asset Allocation as on June 30, 2007



## NAFA Cash Fund

NAFA Cash Fund has not observed a decline in unit price by even one paise on any one day since launch in April 2006. The following chart shows a uniform growth in the value of investment of NAFA Cash Fund.

Value of Rs.100 invested in NAFA Cash Fund at July 1, 2006



### Income Distribution

The Board of Directors of the Management Company has approved a bonus of 10.50%. This translates into 10,4714 bonus units for every 100 units held by an investor. After the distribution of bonus units, the net asset value per unit will be Rs.10,6273 on June 30, 2007.

### 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 09 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

### Auditors' Qualifications

The NBFC Rules requires the valuation of TFCs on the basis of prices quoted on the stock exchange. However, TFCs quoted on stock exchange are not updated on a regular basis and therefore, the management believes that their listed prices are not representative of their fair values. Most of the mutual fund, including NAFA Cash Fund, value their TFCs on a price based on the consensus of quotes available from reputable brokerage houses, believing that these quotes are a better reflection of the fair value of the TFCs than those quoted on the stock exchange. This issue has been taken up by Mutual Fund Association of Pakistan with Securities & Exchange Commission of Pakistan for relevant amendments in NBFC Rules.

### Auditors

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

### Pattern of Unit-holders

The pattern of Unit-holding as on June 30, 2007 is annexed to these financial statements.

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

The part of the Directors' report to unit-holders is given as required under section 235 of the Companies Ordinance 1984:

- The financial statements, prepared by the management company of NAFA Cash Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds. Proper books of account of NAFA Cash Fund have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored. There are no significant doubts upon NAFA Cash Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- The Board of Directors of National Fullerton Asset Management Limited held six meetings during the current financial year. The attendance of all directors is appended below:

Sr.#	Names of Directors	Attendances
1.	Mr. Masood Karim Shaikh, Chairman	4
2.	Dr. Anjad Waheed, Chief Executive	6
3.	Mr. Gerard Lee How Cheng	6
4.	Khawaja Iqbal Hassan	4
5.	Mr. Patrick Pang Chin Hwang	5
6.	Shakh Khaic Jamil	4
7.	Mr. Shahid Anwar Khan	4
8.	Mr. Masroor Ahmed Qureshi**	2

\* Resigned from the Board on February 15, 2007.

\*\* Appointed on February 15, 2007.

## Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing us with 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 enthusiasm shown by the staff and the Trustees.

On behalf of the Board of  
National Fullerton Asset Management Limited

**Masood Karim Shaikh, FCA**  
Chairman

**Dr. Anjad Waheed, CFA**  
Chief Executive

Date: August 8, 2007  
Place: Karachi.



# NAFA Cash Fund

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### **Report of the Trustee Pursuant to Rule 76(h) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003**

The NAFA Cash Fund, an Open-ended Scheme established under a trust deed executed between National Fullerton Asset Management Limited as the Asset Management Company and Central Depository Company of Pakistan Limited as the Trustee on February 11, 2005. The Scheme was authorized by Securities and Exchange Commission of Pakistan (SECP) on February 27, 2005.

In our opinion, National Fullerton Asset Management Limited, the Management Company of NAFA Cash Fund has in all material respects managed NAFA Cash Fund during the year ended June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (Rules).

For the purpose of information, the attention of the Unit Holders is drawn towards note 6.2.1 of the financial statements wherein it is specified that listed Term Finance Certificates have been valued with reference to quotation obtained from brokerage houses instead of the closing rate quoted on stock exchange as required under the Rules.

Karachi, September 17, 2007

Mohammad Hanif Jakhura  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2007**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 43 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

National Fullerton Asset Management Limited (NAFA), the Management Company, is not listed and hence, the Code is not applicable to it. However, NAFA Cash Fund (the Fund) being listed at the Lahore Stock Exchange comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of NAFA and other necessary personnel to manage its affairs.

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consist seven directors including six independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year a casual vacancy occurred in the Board due to resignation of Shiekh Khalid Jamil which was filled by appointing Mr. Masroor Ahmed Qureshi by the Board within 30 days.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.
6. The Board has developed a vision/mision statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. All the members of Board are well aware of operations of the Fund and the Management Company, therefore no orientation courses were arranged during the year.
10. The Board has approved the appointment Head of Internal Audit and his terms of employment.
11. Directors Report has been prepared in compliance with the requirements of the Code 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 units of the Fund other than those disclosed in note 20 to the financial

statements "Transactions with Connected Persons/Related Parties".

14. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.
17. There exists an effective internal audit function within the company.
18. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The Statutory Auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Dated: August 8, 2007  
Karachi

**Dr. Amjad Waheed, CFA**  
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of National Fullerton Asset Management Limited, Management Company of **NAFA Cash Fund** to comply Regulation No.43 of the Listing Regulations of Lahore Stock Exchange where the Fund is listed.

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

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

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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the Year ended June 30, 2007.

# NAFA Cash Fund

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Cash Fund**, which comprise the statement of assets and liabilities as at June 30, 2007, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

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

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

- a) The management does not revalue the investments of the Fund in listed Term Finance Certificates (TFCs) on a daily basis and such revaluation is carried out on a weekly basis. Further, the investments of the Fund in TFCs were revalued as at June 30, 2007 using the average of the rates quoted by certain brokerage houses. In this connection Rule 2 (xxvii) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) requires these investments to be revalued using the rates quoted on the stock exchanges on which these investments are listed. The management is of the view that the rates used by the Fund are representative of the fair market value of these investments and this valuation methodology is fair to the existing as well as the new investors. Had the investment of the Fund in TFCs been revalued on the basis as required under the NBFC Rules, the investments and the Net Assets Value (NAV) of the Fund, at June 30, 2007, would have been lower by Rs 14,434,150. In addition, the NAV calculation of the Fund and consequently the calculations of number of units issued as well as the net element of income and capital gains included in units issued less those in units redeemed by the Fund, during the year would also have been different. These effects have not been quantified, as it was impracticable to do so.

In our opinion, except for the effects of the matters referred to in paragraph (a) above the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2007 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Other matters

In our opinion, except for the effects of the matters referred to in paragraph (a) above, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2007

	NOTE	2007 (Rupees in '000')	2006 (Rupees in '000')
<b>ASSETS</b>			
Balances with banks	4	3,111,277	2,111,088
Receivable against Continuous Funding System (CFS) transactions	5	7,705,443	242,492
Receivable against spread transactions		-	557,083
Investments	6	3,059,370	170,635
Loans and receivables	7	4,130,617	780,000
Advances, deposits and prepayments	8	1,115	1,100
Dividend and profit receivable	9	256,468	44,768
Preliminary expenses and floatation costs	10	1,804	2,404
<b>Total assets</b>		<b>18,315,594</b>	<b>3,883,568</b>
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	11	37,875	1,039
Payable against redemption of units		105	-
Payable to National Fullerton Asset Management Limited - Management Company	12	20,287	13,068
Payable to Central Depository Company of Pakistan Limited - Trustee	13	1,417	411
Payable to Securities and Exchange Commission of Pakistan - Annual fee	14	7,933	581
<b>Total liabilities</b>		<b>67,417</b>	<b>15,199</b>
<b>NET ASSETS</b>		<b>18,248,177</b>	<b>3,874,369</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>18,248,177</b>	<b>3,874,369</b>
<b>COMMITMENTS</b>	15		
		<b>Number of units</b>	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>1,647,351,153</b>	<b>380,152,440</b>
		<b>Rupees</b>	
<b>NET ASSETS VALUE PER UNIT</b>		<b>11.0773</b>	<b>10.1915</b>

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

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Anjad Waheed  
Chief Executive

Masood Karim Shaikh  
Chairman

# NAFA Cash Fund

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	NOTE	For the year ended June 30, 2007	For the period from February 11, 2006 to June 30, 2006
(Rupees in '000')			
<b>INCOME</b>			
Profit on bank deposits	16	292,991	38,625
Income from Continuous Funding System (CFS) transactions		455,081	16,538
Income from spread transactions		14,899	13,954
Income from Term Finance Certificates		174,537	2,132
Income on certificates of deposit and clean placements		40,029	11,931
Unrealised gain on investments at fair value through profit or loss - net		30,104	129
<b>Total Income</b>		<b>1,007,741</b>	<b>83,309</b>
<b>EXPENSES</b>			
Remuneration of National Fullerton Asset Management Limited - Management Company	12.1	118,989	10,222
Remuneration of Central Depository Company of Pakistan Limited - Trustee Brokerage	13.1	8,933	873
Annual fee - Securities and Exchange Commission of Pakistan	14.1	50,410	4,355
Annual listing fee		7,933	681
Annual listing fee		30	15
Settlement and bank charges		10,094	322
Financial charges	17	578	-
Auditors' remuneration	18	378	200
Amortisation of preliminary expenses and flotation costs	10	500	96
Provision against impairment in loans and receivables		9,983	-
<b>Total Expenses</b>		<b>207,828</b>	<b>16,764</b>
<b>Net income from operating activities</b>		<b>799,913</b>	<b>66,545</b>
Element of income and capital gains included in prices of units issued less those in units redeemed		973,427	6,299
<b>Net income for the year</b>		<b>1,773,340</b>	<b>72,844</b>
<b>Earnings per unit</b>	10		

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

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Arjad Waheed  
Chief Executive

Masood Karim Shaikh  
Chairman

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2007**

	For the year ended June 30, 2007	For the period from February 11, 2006 to June 30, 2006
	(Rupees in '000')	
Undistributed income brought forward	72,844	-
Distribution: Bonus issue at the rate of 1.0% for the year ended June 30, 2006 (declared on July 4, 2006)	(72,229)	-
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing income / (losses) that form part of the unit holders' funds	2,016	-
Net income for the year / period	1,773,340	72,844
Undistributed income carried forward	<u>1,775,371</u>	<u>72,844</u>

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

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Anjad Waheed  
Chief Executive

Masood Karim Shaikh  
Chairman



# NAFA Cash Fund

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	For the year ended June 30, 2007	For the period from February 11, 2006 to June 30, 2006
	(Rupees in '000')	
Net assets at the beginning of the year / period	3,574,369	-
Issue of 3,332,966,000 units - including 7,222,807 bonus units (2006: 578,515,199 units)	35,825,641	5,799,288
Redemption of 2,065,168,194 units (2006: 196,362,750 units)	(22,251,746)	(1,991,464)
	<u>17,448,264</u>	<u>3,807,824</u>
Element of income and capital gains included in prices of units issued less those in units repurchased		
- amount representing accrued (income) / loss and capital (gains) / losses - transferred to Income Statement	(973,427)	(6,299)
- amount representing (income) / losses that form part of the unit holders' funds transferred to Distribution Statement	(2,016)	-
	<u>(975,443)</u>	<u>(6,299)</u>
Net unrealised appreciation in the value of investments classified as financial assets at fair value through profit or loss*	30,194	129
Other income from operations	1,743,230	72,715
Net income for the year	<u>1,773,340</u>	<u>72,844</u>
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing income / (losses) that form part of the unit holders' funds	2,010	-
<b>Net assets at the end of the year / period</b>	<u><u>18,248,177</u></u>	<u><u>3,874,369</u></u>

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

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Arjad Waheed  
Chief Executive

Masood Karim Shaikh  
Chairman

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**CASH FLOW FROM OPERATING ACTIVITIES**

Net income for the year / period

**Adjustments**

Unrealised gain on investments at fair value through profit or loss - net  
 Amortisation of preliminary expenses and floatation costs  
 Element of income and capital gains included in prices  
 of units issued less those in units redeemed

**(Increase) / decrease in assets**

Receivable against Continuous Funding System (CFS) transactions  
 Receivable against spread transactions  
 Investments  
 Loans and receivables  
 Advances, deposits and prepayments  
 Dividend and profit receivable

**Increase / (decrease) in liabilities**

Accrued expenses and other liabilities  
 Payable against redemption of units  
 Payable to National Fullerton Asset Management Limited -  
 - Management Company  
 Payable to Central Depository Company of Pakistan Limited - Trustee  
 Payable to Securities and Exchange Commission of Pakistan - Annual fee

**Net cash outflow on operating activities**

**CASH FLOW FROM FINANCING ACTIVITIES**

Net receipts from issue of units  
 Net payments on redemption of units

**Net cash inflow from financing activities**

**Net increase in cash and cash equivalents during the year / period**

Cash and cash equivalents at the beginning of the year / period

**Cash and cash equivalents at the end of the year / period**

**NOTE**

For the year ended June 30, 2007  
 For the period from February 11, 2005 to June 30, 2006

(Rupees in '000)

	1,773,340	72,644
	(30,104)	(129)
	500	96
	(973,427)	(5,299)
	<b>770,309</b>	<b>66,512</b>
	(7,512,951)	(242,482)
	557,003	(567,063)
	(2,858,631)	(170,506)
	(3,370,017)	(760,000)
	(15)	(1,100)
	(211,700)	(44,768)
	<b>(13,396,231)</b>	<b>(1,775,949)</b>
	36,536	1,039
	105	-
	-	-
	7,219	10,568
	1,006	411
	7,252	581
	52,218	12,699
	<b>(12,573,794)</b>	<b>(1,696,738)</b>
	35,625,941	5,799,260
	(22,251,745)	(1,891,451)
	<b>13,373,895</b>	<b>3,807,824</b>
	<b>1,006,191</b>	<b>2,111,386</b>
	2,111,586	-
	<b>4</b>	<b>2,111,386</b>

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

For National Fullerton Asset Management Limited  
 (Management Company)

Dr. Anjad Waheed  
 Chief Executive

Masood Karim Shaikh  
 Chairman

# NAFA Cash Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

NCF 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 by investing primarily in money market and debt securities having a good credit rating and liquidity.

### 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 and the requirements of the Trust Deed, the NBFC Rules and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules or directives issued by the SECP differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules and the said directives take precedence.

#### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments are carried at fair value in accordance with the criteria laid down in International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after November 1, 2006 are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share based payment	effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007

IFRS 6 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	effective for accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	effective for accounting period beginning on or after March 1, 2007
IFRIC 12 - Service concession arrangements	effective for accounting period beginning on or after January 1, 2008

## 2.4 Critical accounting estimates and judgements

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 its judgement in the process of applying the Fund's accounting policies. Estimates and judgements 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 judgement was exercised in application of accounting policies are as follows:

- Classification and valuation of investments (note 3.2 and note 6)
- Amortisation of preliminary expenses and flotation costs (note 3.7 and note 10)

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Cash and cash equivalents

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

### 3.2 Investments

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

The management determines the appropriate classification of the investments made by the Fund in accordance with the requirements of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorised as follows:

#### a) Financial assets at fair value through profit or loss

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'Financial assets at fair value through profit or loss'. These investments are marked to market using the closing market rates at the end of each day and are carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the Income Statement.

Investments in do-listed / unquoted securities are carried at cost less impairment in value, if any.

### b) Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition these investments are carried at amortised cost.

### c) Available for sale

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices, are classified as 'available for sale'.

Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in equity is removed from equity and recognised in the income statement.

Investment in unquoted securities are carried at cost less impairment in value, if any.

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

### 3.3 Loans and receivables

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

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

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

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention such as 'T+3' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the respective transactions. Transaction costs are included in the initial measurement of all CFS transactions except for transaction costs that may be incurred on disposal.

### 3.5 Spread transactions (Ready-Future Transactions)

The Fund enters into certain transactions involving purchase of a security in the ready market and simultaneous sale of the same securities in the futures market (spread transactions). During the current year with effect from August 2, 2005, the management has decided to change its policy of accounting for these transactions in accordance with the requirements of IAS 38. Consequently, securities purchased by the Fund in the ready market are now carried on the Statement of Assets and

Liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative'. Previously, these transactions were accounted for by the Fund as 'spread transactions' by deleting the cost of investments from the books and recording the receivable based on the forward sale price. The difference between these two amounts was taken to the Income Statement over the period of the forward transaction.

The effect of the above change in accounting policy has not been quantified as it was not practical to do so.

### 3.6 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

### 3.7 Preliminary expenses and flotation costs

Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.

### 3.8 Provisions

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

### 3.9 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost.

### 3.10 Taxation

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Fund has not recognised any amount for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in the future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its unit holders every year.

### 3.11 Dividend distribution

Dividend distribution to the Fund's unit holders is recognised as a liability at the time of its declaration.

## 3.12 Financial assets and financial liabilities

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

Financial liabilities carried on the Statement of Assets and Liabilities include payable to National Fullerton Asset Management Limited – Management Company, payable to Central Depository Company of Pakistan Limited – Trustee, payable to Securities and Exchange Commission of Pakistan – annual fee and accrued expenses and other liabilities.

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

## 3.13 Offsetting of financial instruments

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

## 3.14 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently the Fund is not charging load or duties or charges.

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. Currently the Fund is not charging load or duties or charges.

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

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

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

## 3.16 Net Asset Value per unit

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

## 3.17 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the

transaction takes place.

- Income on reverse repurchase (reverse repo) transactions and Continuous Funding System (CFS) transactions is recognised on an accrual basis.
- Dividend income is recognised on the date of book closure of the investee company / institution declaring the dividend.
- Income on Term Finance Certificates is recognised on time proportion basis.
- Income from clean placements and Certificates of Investment is recognised on an accrual basis.
- Unrealised gains / losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

	2007	2006
	(Rupees in '000')	
<b>4 BALANCES WITH BANKS</b>		
Current accounts	5,268	2,419
Savings accounts	1,606,011	458,867
Term deposits	1,309,000	1,550,000
	<u>3,111,277</u>	<u>2,111,086</u>

#### 5 RECEIVABLE AGAINST CFS TRANSACTIONS

The rates of return on CFS transactions outstanding at June 30, 2007 range between 10.25% and 13.55% per annum, with maturities ranging from 1 to 22 days.

	NOTE	2007	2006
		(Rupees in '000')	
<b>6 INVESTMENTS</b>			
At fair value through profit or loss - held for trading			
Equity securities purchased under future sales contracts	0.1	-	-
Term finance certificates - listed	0.2	1,641,967	144,360
Available for sale investments			
Term finance certificates - unlisted	0.3	1,417,403	26,265
		<u>3,059,370</u>	<u>170,625</u>



# NAFA Cash Fund

## 5.1 Equities securities purchased under future sale contracts

These securities are held under Ready-Future transactions. These securities are purchased in the ready "T+3" market and simultaneously sold in the futures market. The details are as follows:

Name of the investee company	Number of Certificates				Market value as at June 30, 2007 (Rs. '000)	%age of investments in relation to net assets of the Fund
	As at July 01, 2006	Purchases during the year	Sales during the year	As at June 30, 2007		

All the holding are in shares of Rs. 10/- each unless otherwise stated.

### Investment Banks/ Cos./ Securities

Pakistan Industrial Credit & Inv. Corp	-	2,500,000	2,500,000	-	-	-
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### Commercial Banks

Askari Commercial Bank Ltd.	-	200,000	200,000	-	-	-
The Bank of Punjab	-	39,500	39,500	-	-	-
Faysal Bank Ltd.	-	375,000	375,000	-	-	-
National Bank of Pakistan	-	1,314,000	1,314,000	-	-	-

### Textile Composite

Nehat Mills Ltd.	-	5,000	5,000	-	-	-
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### Oil & Gas Marketing Cos.

Pakistan State Oil Co. Ltd.	-	100,000	100,000	-	-	-
Sui Southern Gas Co. Ltd.	-	28,500	28,500	-	-	-

### Oil & Gas Exploration Cos.

Pakistan Petroleum Ltd.	-	100,000	100,000	-	-	-
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### Technology & Communication

Pakistan Telecommunication Co. Ltd.	-	500,000	500,000	-	-	-
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### Fertilizer

Engro Chemical (Pakistan) Ltd.	-	50,000	50,000	-	-	-
Fauji Fertilizer Bin Qasim Ltd.	-	480,500	480,500	-	-	-

### Cost of investments as at June 30, 2007

-

## 5.2 Term finance certificates - Listed

Name of the investee company	Number of Certificates				Market value as at June 30, 2007 (Rs. '000)	%age of investments in relation to net assets of the Fund
	As at July 01, 2006	Purchases during the year	Sales during the year	As at June 30, 2007		
United Bank Ltd.	3,000	2,000	-	5,000	25,567	0.14
Faysal Bank Ltd.	-	10,000	-	10,000	48,625	0.27
First International Inv. Bank Ltd.	-	5,947	-	5,947	30,324	0.17
Jahangir Siddiqui & Co. Ltd.	-	18,000	-	18,000	91,167	0.50
Gharbwal Cement Ltd.	-	10,000	-	10,000	50,000	0.27
Chance Oil and Gas Securitization Co. Ltd.	8,895	15,895	-	25,790	92,738	0.51
Pakistan Mobile Communications (Pvt.) Ltd.	20,000	5,000	-	25,000	131,198	0.72
Orix Leasing Pakistan Ltd.	-	50,000	-	50,000	253,750	1.39
Escort Investment Bank Ltd.	-	10,000	-	10,000	52,000	0.28
Allied Bank Ltd.	-	49,950	-	49,950	260,312	1.43
Bank Al-Habib Ltd.	-	30,000	-	30,000	152,880	0.84
Askari Commercial Bank Ltd. I	-	9,000	-	9,000	45,076	0.25
Askari Commercial Bank Ltd. II	-	2,000	-	2,000	10,019	0.05
Agard Nine Limited	-	40,000	-	40,000	208,874	1.15
Bank Afifah Ltd. II	-	15,128	-	15,128	76,701	0.42
Bank Afifah Ltd. III	-	9,727	-	9,727	49,419	0.27
Sonari Bank Ltd.	-	6,000	-	6,000	30,426	0.17
Standard Chartered Bank (Pak) Ltd.	-	6,400	-	6,400	31,961	0.18
					<b>1,641,967</b>	<b>9.01</b>

### Cost of investments as at June 30, 2007

**1,611,863**

6.2.1 Fair value of listed Term Finance Certificates classified as investments at fair value through profit or loss is determined using average of market rates obtained from brokers.

6.2.2 All Term Finance Certificates have a face value of Rs 5,000 each.

### 6.3 Term finance certificates - Un-listed

Name of the investee company	Number of Certificates			As at June 30, 2007	Carrying value as at June 30, 2007 (Rs. '000)	%age of investments in relation to net assets of the Fund
	As at July 01, 2006	Purchases during the year	Sales during the year			
Dewan Mashtaq Textile Mills Ltd.	8,266	-	8,266	-	-	-
Dewan Textile Mills Ltd.	8,000	-	8,000	-	-	-
Argand Nine Ltd.	-	67,823	-	67,823	331,917	1.82
Pakistan Mobile Communications (Pvt.) Ltd.	-	60,000	60,000	-	-	-
Pakistan Mobile Communications (Pvt.) Ltd.	-	20,000	-	20,000	57,157	0.31
Pak Electron Ltd.	-	10,000	-	10,000	50,000	0.27
Prime Securitization	-	16,000	-	16,000	60,000	0.44
Wateen Telecom Ltd.	-	16,666	-	16,666	83,329	0.46
Kohat Cement Ltd.	-	28,000	-	28,000	140,000	0.77
KASB Securities	-	10,000	-	10,000	50,000	0.27
Engro Chemical	-	60,000	-	60,000	300,000	1.54
Jahangir Siddiqui & Co. Ltd.	-	25,000	-	25,000	125,000	0.68
New Allied Electronics Inc. (pvt) Ltd.	-	18,000	-	18,000	90,000	0.49
Three Star	-	22,000	-	22,000	110,000	0.60
					1,417,403	7.75
					1,417,403	

Cost of investments as at June 30, 2007

6.3.1 Unlisted Term Finance Certificates classified as available for sale are valued at cost as these are not quoted in the market.

6.3.2 All Term Finance Certificates have a face value of Rs 5,000 each.

	NOTE	2007	2006
(Rupees in '000)			
<b>7 LOANS AND RECEIVABLES</b>			
Clean placements		140,000	360,000
Certificates of Investment		100,000	400,000
Term Deposit Receipts		3,900,000	-
Less: Provision against impairment in loans and receivables	7.1	(3,363)	-
		<b>4,130,817</b>	<b>760,000</b>

7.1 This represents provision for impairment against unsecured letter of placement (LOP) of Rs. 40 million with Network Leasing Corporation Limited (NLCL).

During the current year NLCL was unable to settle the short term LOP on its due date because of financial difficulties faced by the borrower. The strategic stake in NLCL has recently been acquired by new sponsors who have committed in principle to repay the amount due to the Fund based on revised terms and conditions. In accordance with the revised terms and conditions the LOP is to be converted into a term finance facility which is repayable to the Fund in 20 equal quarterly instalments commencing from September 2008. The restructured facility carries mark up at 1.5% per annum which is payable to the Fund on a quarterly basis. The principal amount is repaid.

Keeping in view the above mentioned facts the management is of the view that there is objective evidence that an impairment loss on the financial asset due from NLCL has been incurred. Accordingly, the management has recorded an impairment loss in these financial statements after comparing the expected recoverable amount of the financial assets with its carrying amount. The expected recoverable amount of the financial asset has been determined using the present value of estimated future cash flows envisaged under the restructuring arrangement.

### 8 ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposits with:

- National Clearing Company of Pakistan Limited
- Central Depository Company of Pakistan Limited

Prepaid listing fee

1,000	1,000
100	100
15	-
<b>1,115</b>	<b>1,100</b>

# NAFA Cash Fund

	NOTE	2007 (Rupees in '000')	2006 (Rupees in '000')
<b>9 DIVIDEND AND PROFIT RECEIVABLE</b>			
Dividend receivable on shares held under Continuous Funding System (CFS) transactions		-	2,161
Dividend receivable on shares held under spread transactions		-	6,555
Income accrued on Continuous Funding System (CFS) transactions		20,797	807
Income accrued on spread transactions		-	4,892
Profit on savings and term deposits		158,029	19,275
Income accrued on Term Finance Certificates		68,779	2,395
Income accrued on clean placements		57	4,973
Income accrued on Certificates of Investment		2,836	3,509
		<u>256,468</u>	<u>44,768</u>
<b>10 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening Balance	10.1	2,404	2,500
Less: amortisation during the period		500	95
Balance as at June 30, 2007		<u>1,904</u>	<u>2,404</u>
<b>10.1</b> Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from April 22, 2006 as per the requirements set out in the Trust Deed of the Fund.			
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		278	200
Payable to Alexandra Fund Management Pte. Limited		-	544
Listing fee payable		-	15
Settlement charges payable		1,489	160
Brokerage		13,914	104
Dividend payable to brokers		21,326	-
Others		688	18
		<u>37,675</u>	<u>1,039</u>
<b>12 PAYABLE TO NATIONAL FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management fee	12.1	20,017	10,222
Preliminary expenses and floatation costs		-	2,500
Others		270	345
		<u>20,287</u>	<u>13,068</u>
<b>12.1</b> Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of one and a half percent per annum for the current period.			
<b>13 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	13.1	1,417	411
<b>13.1</b> The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily Net Assets Value (NAV) of the Fund.			

## NAFA Cash Fund

	NOTE	2007 (Rupees in '000')	2006 (Rupees in '000')
<b>14 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE</b>			
Annual Fee	14.1	7,933	681
<b>14.1</b>	Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, a Unit Trust Scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to one-tenth of one percent of the average annual net assets of the Scheme.		
<b>15 COMMITMENTS</b>			
Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at year end		4,320,785	127,016
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at year end		-	560,550
<b>15.1</b>	These transactions have been settled subsequent to the year end.		
			For the period from February 11, 2006 to June 30, 2006
		For the year ended June 30, 2007	(Rupees in '000')
<b>16 PROFIT ON BANK DEPOSITS</b>			
Income on savings deposits		50,757	21,561
Income on term deposits		247,234	15,654
		292,991	38,425
<b>17 FINANCIAL CHARGES</b>			
Financial Charges	17.1	578	-
<b>17.1</b>	During the year, NAFA Cash Fund entered into a running finance agreement with a bank on October 19, 2006 for the purpose of meeting redemption requests. As per the terms of this agreement, the bank agreed to provide, from time to time financing at any one time outstanding upto an aggregate sum of Rs. 400,000,000 on markup basis. The markup rate was 1.5% per annum plus the deposit rate charged by the bank on the deposits of NAFA Cash Fund placed with it (12.25% per annum). The entire running finance facility availed by the Fund was repaid on January 5, 2007. The Fund had availed this facility against the term deposits held with the Bank (being kept as a security deposit).		
<b>18 AUDITORS' REMUNERATION</b>			
Audit fee		250	175
Half yearly review		100	-
Out of pocket expenses		28	25
		378	200

# NAFA Cash Fund

## 19 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended June 30, 2007 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 20 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include National Fullerton Asset Management Limited being the Management Company and National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the Sponsors.

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

	For the year ended June 30, 2007	For the period from February 11, 2006 to June 30, 2006
(Rupees in '000')		
<b>AMOUNT OF TRANSACTIONS DURING THE YEAR</b>		
<b>National Fullerton Asset Management Limited - Management Company</b>		
Management fee expense for the year / period	118,989	10,222
Investment made by the Management Co. in the Fund (5,035,062.34 units; 2006: Nil units)	55,000	-
<b>NAFA Provident Fund Trust</b>		
Units issued (83,824.26 units; 2006: Nil units)	917	-
<b>National Bank of Pakistan - Sponsor</b>		
Investment made by the Sponsor in the Fund (Nil units; 2006: 12,500,000 units)	-	125,000
Profit paid by the Fund on pre-IPO investment	-	874
Units redeemed (5,237,500 units; 2006: Nil units)	55,407	-
Bonus units issued (237,500 units; 2006: Nil units)	2,375	-
<b>NIB Bank Limited - Sponsor</b>		
Investment made by the Sponsor in the Fund (Nil units; 2006: 20,000,000 units)	-	200,000
Profit paid by the Fund on pre-IPO investment	-	445
Bonus units issued (360,000 units; 2006: Nil units)	3,600	-
Income on bank deposits	18,906	12,384
Term deposits availed during the year	2,400,000	-
Income on term deposits	17,223	-
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment made by the Sponsor in the Fund (Nil units; 2006: 10,000,000 units)	-	100,000
Bonus units issued (180,000 units; 2006: Nil units)	1,900	-
<b>Chief Executive Officer</b>		
Units issued (563,486.85 units; 2006: 825,482 units)	8,200	8,300
Units redeemed (1,296,242.77 units; 2006: Nil units)	14,035	-
Bonus units issued (15,684.15 units; 2006: Nil units)	157	-
<b>Spouse of Chief Executive</b>		
Units issued (154,448.32 units; 2006: Nil units)	1,700	-
Units redeemed (146,212.29 units; 2006: Nil units)	1,538	-
<b>Executives of Management Company</b>		
Units issued (1,017,150.35 units; 2006: Nil units)	11,046	-
Units redeemed (695,487.15 units; 2006: Nil units)	7,612	-

# NAFA Cash Fund

As at June 30, 2007 As at June 30, 2006

(Rupees in '000')

## AMOUNTS OUTSTANDING AS AT YEAR / PERIOD END

### National Fullerton Asset Management Limited - Management Company

Management Fee Payable

Provisionary expenses and floatation costs payable

Investment held by the management company in the Fund  
(5,035,062.34 units; 2006: Nil units)

Others

20,017	10,222
-	2,500
55,775	-
270	346

### NAFA Provident Fund Trust

Investment held by NAFA Provident Fund Trust (83,824.28 units; 2006: Nil units)

929	-
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### National Bank of Pakistan - Sponsor

Investment held by the sponsor in the Fund (7,500,000 units;  
2006: 20,000,000 units)

Deposit held by the Fund with the Sponsor

83,080	127,375
5,246	2,419

### NBS Bank Limited - Sponsor

Investment held by the sponsor in the Fund (20,380,000 units)  
Deposit held by the Fund with the Sponsor

Profit receivable on bank deposits

TDR Balance

Profit receivable on TDR

225,755	203,800
510,410	192,141
264	154
300,000	-
4,574	-

### Alexandra Fund Management Pte. Limited - Sponsor

Investment held by the sponsor in the Fund (10,190,000 units;  
2006: 10,000,000 units)

Profit payable by the Fund on pre-IPO investment

112,878	101,900
-	543

### Chief Executive Officer

Investment held by the Chief Executive Officer (108,411.87 units;  
2006: 825,482 units)

1,201	8,412
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### Spouse of Chief Executive

Investment held in the Fund (18,237.03 units; 2006: Nil units)

202	-
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### Executives of Management Company

Investment held in the Fund (199,297.60 units; 2006: Nil units)

2,207	-
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## 21 YIELD / INTEREST RATE RISK

- 21.1 The Fund is mainly exposed to mark-up / interest rate risk on its investment portfolio. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that risk is managed within acceptable limits. Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off balance sheet instruments is based on settlement date.

June 30, 2007				
Total	-Exposed to Yield/Interest risk-			Not exposed to Yield/Interest risk
	Upto three months	More than three months and upto one year	More than one year	

(Rupees in '000')

## On-balance sheet financial instruments

### Financial Assets

Balances with banks	3,111,277	3,106,011	-	-	5,295
Receivable against Continuous Funding System (CFS) transactions	7,755,443	7,755,443	-	-	-

# NAFA Cash Fund

June 30, 2007				
Total	-Exposed to Yield/Interest risk-			Not exposed to Yield/Interest risk
	Up to three months	More than three months and up to one year	More than one year	

(Rupees in '000)

## Financial Assets

Investments	3,058,370	1,493,951	1,555,419	-	-
Loans and receivables	4,130,017	965,017	2,825,000	340,000	-
Advances, deposits and prepayments	1,115	-	-	-	1,115
Dividend and profit receivable	255,468	-	-	-	255,468
	<u>16,313,690</u>	<u>13,320,422</u>	<u>4,390,419</u>	<u>340,000</u>	<u>292,949</u>

## Financial Liabilities

Accrued expenses and other liabilities	37,675	-	-	-	37,675
Payable against redemption of units	105	-	-	-	105
Payable to National Fullerton Asset Management Limited - Management Company	20,287	-	-	-	20,287
Payable to Central Depository Company of Pakistan Limited - Trustee	1,417	-	-	-	1,417
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	7,933	-	-	-	7,933
	<u>67,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,417</u>

## On-balance sheet gap

	<u>18,246,273</u>	<u>13,320,422</u>	<u>4,390,419</u>	<u>340,000</u>	<u>195,432</u>
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## Off-balance sheet financial instruments

CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2007

	4,320,785	4,320,785	-	-	-
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## Off-balance sheet gap

	<u>4,320,785</u>	<u>4,320,785</u>	<u>-</u>	<u>-</u>	<u>-</u>
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## On-balance sheet financial instruments

### Financial Assets

Balances with banks	2,111,086	2,108,667	-	-	2,418
Receivable against Continuous Funding System (CFS) transactions	242,482	242,482	-	-	-
Receivable against spread transactions	557,083	557,083	-	-	-
Investments	170,535	11,264	19,110	140,261	-
Loans and receivables	760,000	360,500	400,000	-	-
Advances, deposits and prepayments	1,100	-	-	-	1,100
Dividend and profit receivable	44,768	-	-	-	44,768
	<u>3,887,154</u>	<u>3,279,506</u>	<u>419,110</u>	<u>140,261</u>	<u>48,287</u>

June 30, 2007

Total	«Exposed to Yield/Interest risk»			Not exposed to Yield/Interest risk
	Up to three months	More than three months and up to one year	More than one year	

(Rupees in '000')

## Financial Liabilities

Accrued expenses and other liabilities  
 Payable to National Fullerton Asset Management Limited - Management Company  
 Payable to Central Depository Company of Pakistan Limited - Trustee  
 Payable to Securities and Exchange Commission of Pakistan - Annual Fee

1,030	-	-	-	1,030
13,058	-	-	-	13,058
411	-	-	-	411
681	-	-	-	681
15,199	-	-	-	15,199
<u>3,871,955</u>	<u>3,279,508</u>	<u>419,110</u>	<u>140,261</u>	<u>33,086</u>

## On-balance sheet gap

### Off-balance sheet financial instruments

CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2006

127,016	127,016	-	-	-
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Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2006

550,550	550,550	-	-	-
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## Off-balance sheet gap

<u>687,565</u>	<u>687,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
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For the period from February 11, 2005 to June 30, 2006  
 Percentage per annum

## 21.2 The rates of return on financial instruments are as follows:

Balances with banks	1.30 - 12.75	1.30 - 11.50
Receivable against Continuous Funding System (CFS) transactions	10.31 - 20.92	13.25 - 18.01
Receivable against spread transactions	-	10.87 - 23.72
Investments - Term Finance Certificates	10.54 - 13.85	11.31 - 13.88
Loans and receivables - clean placements	1.50 - 14.25	10.90 - 14.25
Loans and receivables - Certificates of Investment	11.25 - 12.30	11.50 - 12.00
Loans and receivables - Term Deposit Receipts	10.25 - 12.75	-
CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30	10.25 - 13.65	13.94 - 17.49
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30	-	10.87 - 15.55



# NAFA Cash Fund

## 22 MATURITIES OF ASSETS AND LIABILITIES

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

	June 30, 2007			
	Total	Upto three months	Over three months and upto one year	Over one year
(Rupees in '000)				
<b>Assets</b>				
Balances with banks	3,111,277	3,111,277	-	-
Receivable against CFS transactions	7,755,443	7,755,443	-	-
Investments	3,059,370	282,800	62,825	2,713,745
Loans and receivables	4,130,017	965,017	2,825,000	340,000
Advances, deposits and prepayments	1,115	-	-	1,115
Dividend and profit receivable	258,488	258,488	-	-
Preliminary expenses and flotation costs	1,904	125	375	1,404
	<u>18,315,594</u>	<u>12,371,130</u>	<u>2,888,200</u>	<u>3,056,264</u>
<b>Liabilities</b>				
Accrued expenses and other liabilities	37,675	37,675	-	-
Payable against redemption of units	105	105	-	-
Payable to National Fullerton Asset Management Limited - Management Company	20,287	20,287	-	-
Payable to Central Depository Company of Pakistan Limited - Trustees	1,417	1,417	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee	7,933	7,933	-	-
	<u>67,417</u>	<u>67,417</u>	-	-
	<u>18,248,177</u>	<u>12,303,713</u>	<u>2,888,200</u>	<u>3,056,264</u>
<b>Assets</b>				
Balances with banks	2,111,085	2,111,085	-	-
Receivable against CFS transactions	242,482	242,482	-	-
Receivable against spread transactions	557,063	557,063	-	-
Investments	170,635	11,254	19,110	140,261
Loans and receivables	766,000	360,000	400,000	-
Advances, deposits and prepayments	1,100	-	-	1,100
Dividend and profit receivable	44,758	44,758	-	-
Preliminary expenses and flotation costs	2,404	126	374	1,904
	<u>3,689,568</u>	<u>3,320,819</u>	<u>419,484</u>	<u>143,265</u>
<b>Liabilities</b>				
Accrued expenses and other liabilities	1,039	1,039	-	-
Payable to National Fullerton Asset Management Limited - Management Company	13,068	13,068	-	-
Payable to Central Depository Company of Pakistan Limited - Trustees	411	411	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee	681	681	-	-
	<u>15,199</u>	<u>15,199</u>	-	-
	<u>3,874,369</u>	<u>3,311,620</u>	<u>419,484</u>	<u>143,265</u>

## 22 RISK MANAGEMENT POLICIES

### 22.1 Market risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market interest rates or market price of securities due to change in credit rating of the issuer of the instrument, change in market sentiments, supply and demand of securities and liquidity in the market. There is a possibility of default of participants and of failure of the financial markets / stock exchanges, the depositories, the settlement or the clearing system etc.

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

### 22.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

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

### 22.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset at close to its fair value. In addition the Fund is exposed to daily cash redemption of units. The Management Company manages liquidity risk by following internal guidelines such as monitoring maturities of financial assets and financing and investing in highly liquid financial assets.

### 22.4 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Yield / interest rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. A Fund is exposed to yield / interest rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Fund manages this risk by matching the repricing of financial assets and liabilities through risk management strategies. The position for financial instruments is based on earlier of contractual repricing date or maturity.

## 24 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

# NAFA Cash Fund

For the year ended June 30, 2007  
For the period from February 11, 2006 to June 30, 2006  
(Rupees in '000')

## 25 PERFORMANCE TABLE

Net assets (Rs '000)	18,248,177	3,874,369
Net income (Rs '000)	1,773,346	72,644
Net Asset Value per unit (Rs)	11.0773	10.1916
Earnings per unit (Rs) - (note 10)		
Dividend distribution (%) - (note 25)		
Highest offer price per unit (Rs)	11.0773	10.1916
Lowest offer price per unit (Rs)	10.0141	10.0000
Highest redemption price per unit (Rs)	11.0773	10.1916
Lowest redemption price per unit (Rs)	10.0141	10.0100

## 26 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 05, 2007 have proposed a bonus issue at the rate of 10.5 percent. The financial statements of the Fund for the year ended June 30, 2007 do not include the effect of the bonus issue which will be accounted for in the financial statements of the Fund for the year ending June 30, 2008.

## 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on \_\_\_\_\_.

## 28 GENERAL

Figures have been rounded off to the nearest thousand rupees

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Arifad Waheed  
Chief Executive

Masood Karim Shaikh  
Chairman

PATTERN OF UNIT-HOLDING  
As on June 30, 2007

S. No.	Particulars	No. of Accounts (%)	Units Held	Units Held (%)
1.	ASSOCIATE CONCERN	0.14	48,293,522	2.93
2.	BANKS & FINANCIAL INSTITUTIONS	2.58	701,977,279	42.61
3.	CORPORATE	3.01	527,976,900	32.05
4.	DIRECTOR	0.05	108,412	0.01
5.	INDIVIDUALS	86.59	245,452,886	14.90
6.	OTHERS	0.57	10,506,223	0.64
7.	TRUST	5.06	113,035,931	6.86
	<b>Total</b>	<b>100.00</b>	<b>1,647,351,153</b>	<b>100.00</b>



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