

## ***NAFA Funds Annual Report 2008***



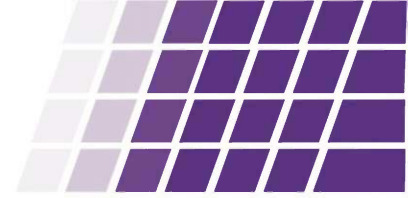
**Managed by:** National Fullerton Asset Management Limited



*Your investments & NAFA grow together*

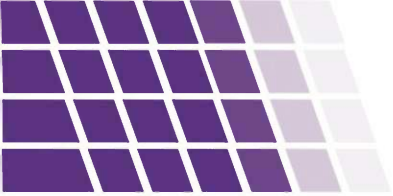


*Joint - Venture Partners*



## **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



# NAFA FUNDS

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# NAFA FUNDS



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

#### NAFA MULTI ASSET FUND

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

#### NAFA STOCK FUND

Allied Bank Limited  
Askari Bank Ltd.  
Atlas Bank Ltd.  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Deutsche Bank  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Ltd.  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Saudi Pak Commercial Bank  
Soneri Bank Limited  
Standard Chartered Bank (PAK)Ltd.  
The Bank of Punjab  
United Bank Ltd.



# NAFA FUNDS

## NAFA ISLAMIC INCOME FUND

Al-Baraka Islamic Bank  
Allied Bank Limited  
Askari Bank Ltd.  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Dawood Islamic Bank  
Emirates Global Islamic Bank Ltd.  
Habib Bank Limited  
Habib Metropolitan Bank Ltd.  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank(PAK)Ltd.  
The Bank of Khyber  
United Bank Ltd.  
Bank Al Habib Ltd.

## NAFA ISLAMIC MULTI ASSET FUND

Al-Baraka Islamic Bank  
Allied Bank Limited  
Askari Bank Ltd.  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Dawood Islamic Bank  
Emirates Global Islamic Bank Ltd.  
Habib Bank Limited  
Habib Metropolitan Bank Ltd.  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank(PAK)Ltd.  
The Bank of Khyber  
United Bank Ltd.  
Bank Al Habib Ltd.

## NAFA INCOME FUND

Allied Bank Limited  
Arif Habib Bank Ltd.  
Atlas Bank Limited  
Bank Alfalah 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  
Soneri Bank Limited  
Standard Chartered Bank(PAK)Ltd.  
The Bank of Khyber  
The Bank of Punjab  
United Bank Limited

### Rating

Rating of Management Company : AM 2  
Rating of NAFA Cash Fund : A ( f )

### 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 :

68-B-1, M.M. Alam Road,  
Gulberg 3, Lahore.  
Uan : 042-111-111-632  
Phone No. 042-5778248-63  
Fax: 042-5876806

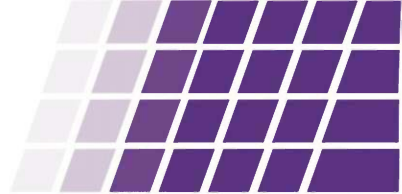
### Islamabad Office:

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

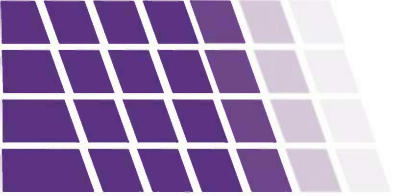
### Peshwar Office:

1st Floor Haji Tehmas Centre,  
Near KFC, Tehkal Payan  
University Road, Peshwar.  
Phone No. 92-91-5711784, 5711782  
Fax: 92-91-5211780

**NAFA CASH FUND**



# **NAFA CASH FUND**

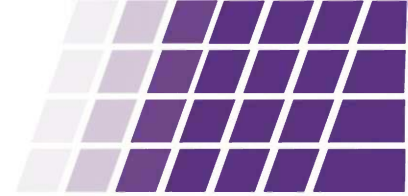


# NAFA CASH FUND

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# NAFA CASH FUND



## DIRECTORS' REPORT

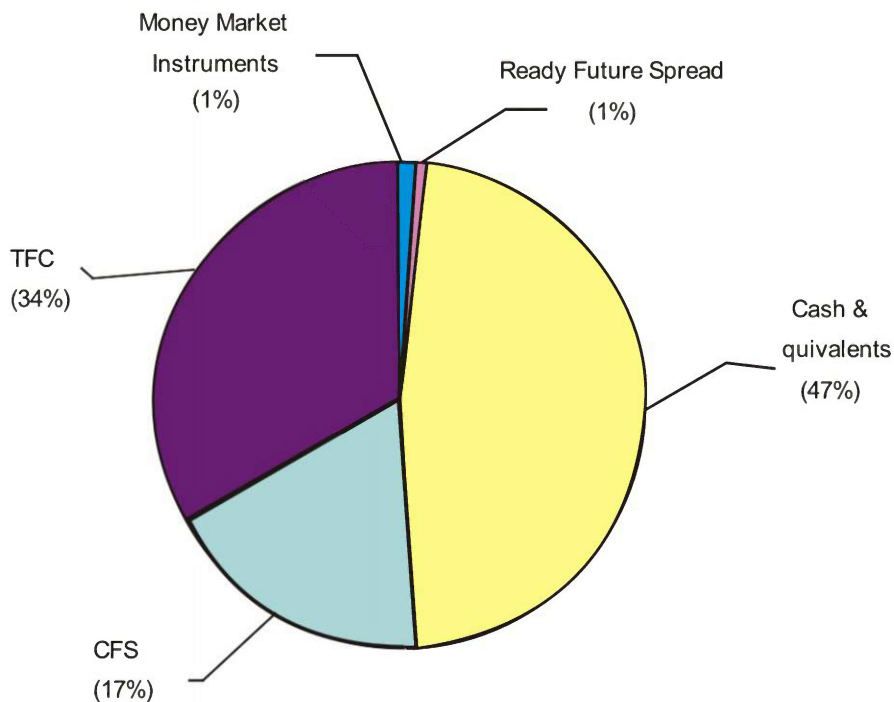
The Board of Directors of National Fullerton Asset Management Limited is pleased to present the third Annual Report of **NAFA Cash Fund** for the year ended June 30, 2008.

### Fund's Performance

Assets under management of NAFA Cash Fund have grown from Rs.18,248 million to Rs.24,044 million during the Financial Year 2007-08 i.e. a growth of 31.76%. During this year, Unit Price of NAFA Cash Fund has grown from Rs.9.8084 on June 30, 2007 (Ex-Div interim distribution) to Rs.10.7769 on June 30, 2008, translating into a return of 9.85%.

NAFA Cash Fund has earned a total income of Rs.2,638.40 million during the year. After deducting total expenses of Rs.454.28 million, the net income is Rs.2,184.12 million, translating into an earning per unit of Rs.0.9685. The asset allocation of NAFA Cash Fund as on June 30, 2008 is as follows:

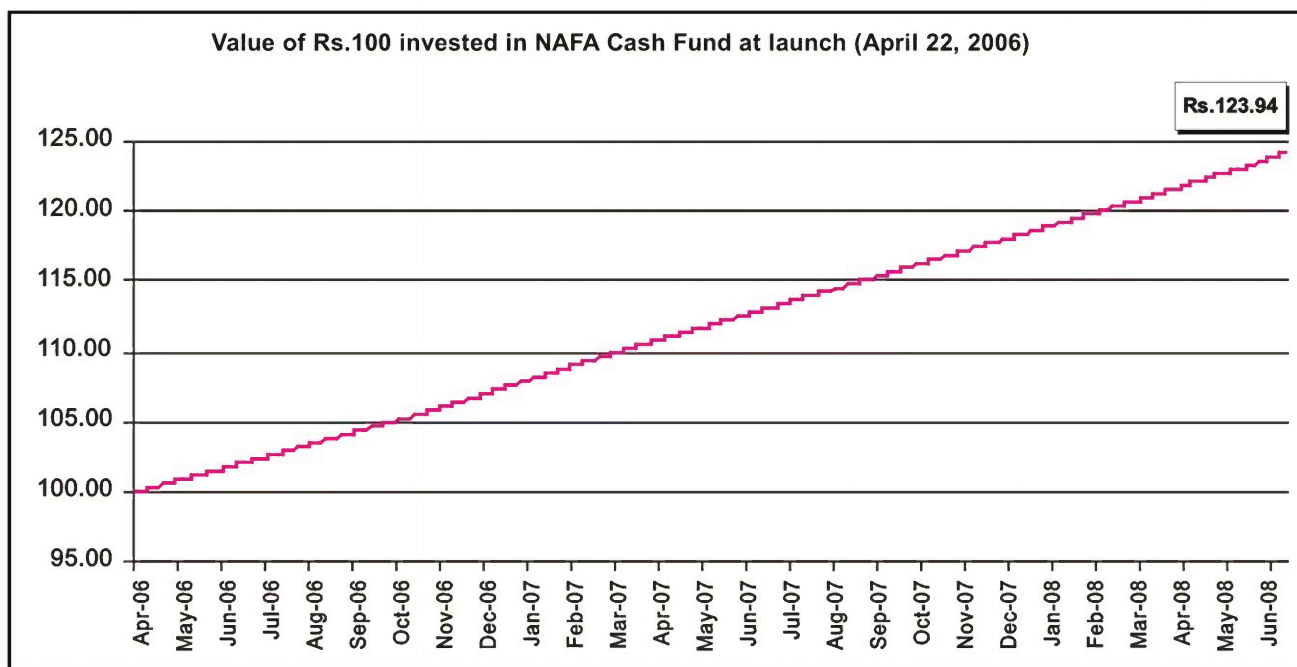
**Asset Allocation as on June 30, 2008**





# NAFA CASH FUND

NAFA Cash Fund has not observed a decline in unit price by even one paisa 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.



## Income Distribution

In addition to interim distribution of 2.356%, the Board of Directors of the Management Company has also approved a final distribution of 7.359%, translating into total distribution of 9.715% of the par value and 9.689% of opening ex-NAV. After final distribution, the net asset value per unit will be Rs.10.041 on June 30, 2008.

## 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' Qualifications

The auditors' qualification pertains to the period prior to promulgation of the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations). Thereafter, SECP allowed mutual funds to use the same basis as was being used by the Fund.

## 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, 2008 is disclosed in the note 26 to these financial statements.

# NAFA CASH FUND

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

The part of the Directors' report to unit-holders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements, prepared by the management company of NAFA Cash Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of NAFA Cash Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon NAFA Cash Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. The Board of Directors of National Fullerton Asset Management Limited held five meetings during the current financial year. The attendance of all directors is disclosed in the note 27 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 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. Amjad Waheed, CFA**  
Chief Executive

Date: August 11, 2008

Place: Karachi.



# NAFA CASH FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS

### Report of the Trustee pursuant to regulation 58(f) and Clause 9 of schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

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

In our opinion, the management company has in all material respects managed the Fund during the year ended June 30, 2008 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 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) and the constitutive documents of the fund.

For the purpose of information, the attention of the unit holders is drawn towards note 3.2.2 of the financial statements wherein it is specified that previously the basis of valuation of listed debt securities were not in the line with the requirement of the NBFC Rules however, subsequent to the promulgation of NBFC Regulations listed debt securities are valued in accordance with the requirements of the NBFC Regulations.

Dated: September 12, 2008  
Karachi

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



# NAFA CASH FUND

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

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.

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

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consist seven directors including six independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy was occurred in the Board.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.
6. The Board has developed a vision/mission statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
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 of 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 21 to the financial statements "Transactions with Connected Persons".
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.



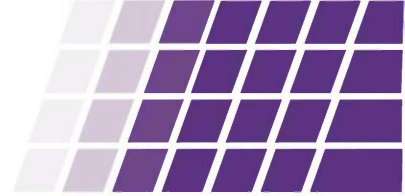
## NAFA CASH FUND

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: 11 August 2008  
Karachi

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

# NAFA CASH FUND



## Fund Manager Report

NAFA Cash Fund is an open-ended Fixed Income Fund.

### Investment Objective of the Fund:

Objective of NAFA Cash Fund is to seek maximum possible preservation of capital and earn a reasonable rate of return via investing primarily in money market & debt securities having good credit rating and liquidity. It is targeted that the duration of the investment portfolio will normally not exceed 2 years.

### Benchmark:

1-month KIBOR

### Fund's performance Review:

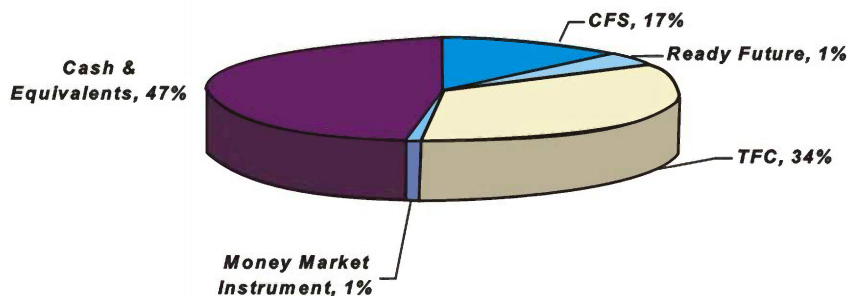
NAFA Cash Fund completed 26 months of its operations in June, since the launch of the Fund in April, 2006. In the short span of 26 months, the fund size has grown to Rs. 24 billion. During the period, NAFA Cash Fund yielded an annualized return of 9.85%, whereas its return since inception stands at 10.31%. The benchmark (1-Month KIBOR) has yielded an annualized return of 10.64%, during the year. NAFA Cash Fund remained the best performing Fund in terms of risk adjusted return among its peers. The unit price of the fund did not drop by even one paisa on any day since the launch of the Fund.

During the period under discussion, the State Bank of Pakistan in continuation with its tight monetary policy increased the discount rate by 3% to 12%. It also increased Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) by 2% and 1% to 9.00% and 19.00% respectively. Liquidity crunch witnessed due to above announcements had its positive effect on KIBOR Rates. 1-Month KIBOR rates increased by 422 basis points to 13.64%

We expected tight monetary policy and rising interest rate scenario to persist, as mentioned in our monthly fund manager reports. Our strategy was to remain invested in short duration investment avenues. NAFA Cash Fund remained invested in CFS, Ready Future Spread, (RFS), Floating Rate Term Finance Certificates (TFCs) and Term Deposit Receipts (TDRs). All the above mentioned avenues are short-term and are major beneficiaries of rising interest rate scenario.

Attached chart shows the asset allocation of the fund. As of 30th June 2008 allocation in TFCs, Cash and Equivalent, CFS, RFS and money market are 34%, 47%, 17%, 1% and 1% of the Fund size. NAFA Cash Fund's asset allocation has changed significantly since June last year. As of 30th June, 2007, its asset allocation in TFCs, Cash and Equivalent, CFS and money market instrument was 17%, 40%, 42% and 1% of the Fund size.

**Asset Allocation as at June 30, 2008**



NAFA Cash Fund invests in floating rate TFCs, which are mostly linked to 6-Month KIBOR Rates. 6-Month KIBOR during the period increased to 14.19% from 10.02%. The average coupon of TFC portfolio was 12.30% for the FY 2007, which increased to 12.85% for the FY 2008. The average rates of NCF's TFC portfolio has further increased in the subsequent months due to resetting of coupon at higher rates.

CFS market remained volatile during the year. CFS rates were 12.93% as of 30th June, 2007, and increased to 16.27% at the end of FY 2008. The average spread of RFS decreased from 6.75% in previous year to 5.97% at the end of June, 2008, due to lower volumes and low activity in equity markets. Rate of return on money market and TDRs started low but increased during the year due to liquidity crunch witnessed by the market after increase in CRR and SLR limits by the SBP.



## NAFA CASH FUND

NAFA Cash Fund has maintained a low duration of the Fund. Our strategy for the next year remains same after looking at rising inflationary and interest rate trends. As majority of our investment are short term, we expect return of NAFA Cash Fund to improve in the coming months.

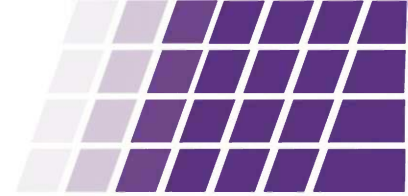
The Fund declared interim dividend of 2.356% for the third quarter ending on 30th March, 2008. The Net Asset Value before declaration was 10.7930, which on ex-NAV basis became 10.5580. In addition to interim distribution of 2.356%, the Board of Directors of the Management Company has also approved a final distribution of 7.359%, translating into total distribution of 9.715% of the par value and 9.689% of opening ex-NAV. After final distribution, the net asset value per unit was Rs.10.041 on June 30, 2008.

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

Following is unit holding pattern of NAFA Cash Fund by the size of unit holding as of 30th June, 2008.

Size of Unit holding (Units)	# of Unit Holders
0 upto 1000	2,298
1,001 - 5,000	426
5,001 - 10,000	283
10,001 - 50,000	637
50,001 - 100,000	255
100,001 - 500,000	431
500,001 - 1,000,000	108
1,000,001 - 5,000,000	112
5,000,001 - 10,000,000	22
10,000,001 - 100,000,000	34
100,000,001 - 1,000,000,000	4
	<u>4,610</u>

# NAFA CASH FUND



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

We have reviewed the statement of compliance with the best practices contained in the code of corporate governance prepared by the Board of directors of National Fullerton Asset Management Limited, Management Company of **NAFA Cash Fund** to comply with XIII of the Lahore Stock Exchange where the Fund is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach .We have not carried out any special review of the internal control covers all control 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 respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30,2008.

Dated: August 28, 2008  
Karachi

**A. F. Ferguson & Co.**  
Chartered Accountants





# 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, 2008, 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 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, 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.

### Basis for Qualified Opinion

As explained in note 3.2.2 to the financial statements during the year the Fund has changed the basis for determination of fair value of listed debt securities, subsequent to their initial recognition, so as to comply with the requirements set out in the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) promulgated by SECP in November 2007. The requirement to compute the net assets of a collective investment scheme previously laid down in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) are now set out under clause 2(i)(xvi) of the NBFC Regulations.

Upto the promulgation of the NBFC Regulations, the investments of the Fund in listed debt securities were revalued using the average of the rates quoted by certain brokerage houses. In this connection Rule 2(xxxiv) of the NBFC Rules 2003 required these investments to be revalued using the rates quoted on the stock exchange on which these investments were listed. However, the management was of the view that the rates used by the Fund were representative of the fair market value of these investments and that such valuation methodology was fair to the existing as well as the new investors. As a result the Net Asset Value (NAV) calculation of the Fund upto the date of change of the Fund's valuation methodology for listed debt securities and consequently the calculation 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 have been different. These effects have not been quantified as it was impracticable to do so.

### Opinion

In our opinion, except for the effects of the matter discussed in the preceding paragraph the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2008 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

Dated: August 28, 2008  
Karachi

A. F. Ferguson & Co.  
Chartered Accountants

# NAFA CASH FUND



## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2008

	NOTE	2008 (Rupees in '000')	2007
<b>Assets</b>			
Balances with banks	4	4,551,072	3,111,277
Receivable against sale of investments		254,258	-
Investments	5	8,410,167	3,059,370
Loans and receivables		6,429,802	4,130,017
Receivable against Continuous Funding System (CFS) transactions	7	3,993,216	7,755,443
Dividend and profit receivable	8	506,066	256,468
Advances, deposits, prepayments and other receivables	9	51,048	1,115
Preliminary expenses and floatation costs	10	1,403	1,904
<b>Total assets</b>		<b>24,197,032</b>	<b>18,315,594</b>
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company	11	27,694	20,287
Payable to Central Depository Company of Pakistan Limited - Trustee	12	1,928	1,417
Payable to Securities and Exchange Commission of Pakistan	13	22,381	7,933
Payable on redemption of units		75,581	105
Accrued expenses and other liabilities	14	25,649	37,675
<b>Total liabilities</b>		<b>153,233</b>	<b>67,417</b>
<b>Net Assets</b>		<b>24,043,799</b>	<b>18,248,177</b>
<b>Unit Holders' Funds (as per statement attached)</b>		<b>24,043,799</b>	<b>18,248,177</b>
<b>Commitments</b>			
	15	<b>Number of units</b>	
<b>Number of units in issue</b>		<b>2,231,047,818</b>	<b>1,647,351,153</b>
		<b>Rupees</b>	
<b>Net asset value per unit</b>	16	<b>10.7769</b>	<b>11.0773</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman

# NAFA CASH FUND

## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

	NOTE	2008 (Rupees in '000')	2007
<b>INCOME</b>			
Gain on sale of investments - net		32,356	-
Income from Term Finance Certificates		767,002	174,537
Income on certificates of deposit and clean placements		34,485	40,029
Income from Continuous Funding System (CFS) transactions		868,143	455,081
Income from spread transaction		49,613	14,999
Profit on bank deposits	17	775,388	292,991
Dividend income		691	-
Unrealised gain on investments at fair value through profit or loss - net		6,560	30,104
Unrealised gain on revaluation of futures sale contracts		1,446	-
<b>Total Income</b>		<b>2,535,684</b>	<b>1,007,741</b>
<b>EXPENSES</b>			
Remuneration of National Fullerton Asset Management Limited – Management Company	11.1	335,722	118,989
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1	23,381	8,933
Annual fee - Securities and Exchange Commission of Pakistan	13.1	22,381	7,933
Securities transaction cost		57,599	50,410
Settlement and bank charges		14,095	10,094
Annual listing fee		29	30
Financial charges		-	578
Auditors' remuneration	18	362	378
Amortisation of preliminary expenses and floatation costs	10	501	500
Provision against impairment in loans and receivables		206	9,983
<b>Total Expenses</b>		<b>454,276</b>	<b>207,828</b>
<b>Net income from operating activities</b>		<b>2,081,408</b>	<b>799,913</b>
Element of income and capital gains included in prices of units issued less those in units redeemed		102,719	973,427
<b>Net income for the year before taxation</b>		<b>2,184,127</b>	<b>1,773,340</b>
<b>Taxation</b>	19	-	-
<b>Net income for the year after taxation</b>		<b>2,184,127</b>	<b>1,773,340</b>
<b>Earnings per unit</b>	20		

The annexed notes 1 to 33 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman

# NAFA CASH FUND



## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	2008 (Rupees in '000')	2007
Undistributed income brought forward	1,775,971	72,844
Distribution:		
Final distribution for the year ended June 30, 2007: 10.5% (Date of distribution: 04 July 2007) (2006: 1.9%)	(1,729,719)	(72,229)
Interim distribution 2008: 2.356% (Date of distribution: 16 April 2008) (2007: Nil)		
- Cash Distribution	(125,861)	
- Bonus units	(429,190)	
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' funds	9,309	2,016
Net income for the year	2,184,127	1,773,340
Undistributed income carried forward	<u>1,684,637</u>	<u>1,775,971</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman

# NAFA CASH FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	2008 (Rupees in '000')	2007 (Rupees in '000')
Net assets at the beginning of the year	18,248,177	3,874,369
Issue of 5,404,241,777 units - including 213,151,692 bonus units (2007: 3,332,366,900 units)	54,196,314	35,825,641
Redemption of 4,820,545,112 units (2006: 2,065,168,194 units)	(50,378,836)	(22,251,746)
	3,817,478	13,573,895
Final distribution for the year ended June 30, 2007: 10.5% (2006: 1.9%)	1,729,719	72,229
Element of income and capital gains included in prices of units issued less those in units redeemed		
- amount representing (income) / losses and capital (gains) / losses - transferred to Income Statement	(102,719)	(973,427)
- amount representing (income) / losses that form part of the unit holders' funds - transferred to Distribution Statement	(9,309)	(2,016)
	(112,028)	(975,443)
Net unrealised appreciation in the market value of investments classified as 'available for sale'	22,597	-
Unrealised gain on investments at fair value through profit or loss - net	6,560	30,104
Unrealised gain on revaluation of futures sale contracts	1,446	-
Gain on sale of investments - net	32,356	-
Other income (net of expenses)	2,143,765	1,743,236
Distribution:		
Final distribution for the year ended June 30, 2007: 10.5% (2006: 1.9%)	(1,729,719)	(72,229)
Interim distribution 2008: 2.356% (Date of distribution: 16 April 2008) (2007: Nil)		
- Cash Distribution	(125,861)	-
- Bonus units	(429,190)	-
	(100,643)	1,701,111
Interim distribution: Issue of bonus units	429,190	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' funds	9,309	2,016
<b>Net assets at the end of the year</b>	<b>24,043,799</b>	<b>18,248,177</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

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

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

**Masood Karim Shaikh, FCA**  
Chairman

# NAFA CASH FUND



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	NOTE	2008 (Rupees in '000')	2007 (Rupees in '000')
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year		2,184,127	1,773,340
<b>Adjustments</b>			
Unrealised gain on investments at fair value through profit or loss - net		(6,560)	(30,104)
Unrealised gain on revaluation of futures sale contracts		(1,446)	-
Amortisation of preliminary expenses and floatation costs		501	500
Element of income and capital gains included in prices of units issued less those in units redeemed		(102,719)	(973,427)
		<u>2,073,903</u>	<u>770,309</u>
<b>(Increase) / decrease in assets</b>			
Receivable against sale of investments		(254,258)	557,083
Investments		(5,320,194)	(2,858,631)
Loans and receivables		(2,299,785)	(3,370,017)
Receivable against Continuous Funding System (CFS) transactions		3,762,227	(7,512,951)
Dividend and profit receivable		(249,598)	(211,700)
Advances, deposits, prepayments and other receivables		(49,933)	(15)
		<u>(4,411,541)</u>	<u>(13,396,231)</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company		7,407	7,219
Payable to Central Depository Company of Pakistan Limited - Trustee		511	1,006
Payable to Securities and Exchange Commission of Pakistan		14,448	7,252
Payable on redemption of units		75,476	105
Accrued expenses and other liabilities		(12,026)	36,636
		<u>85,816</u>	<u>52,218</u>
<b>Net cash outflow on operating activities</b>		<b>(2,251,822)</b>	<b>(12,573,704)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units		54,196,314	35,825,641
Payments on redemption of units		(50,378,836)	(22,251,746)
Distributions paid		(125,861)	-
<b>Net cash inflow from financing activities</b>		<b>3,691,617</b>	<b>13,573,895</b>
<b>Net increase in cash and cash equivalents during the year</b>		<b>1,439,795</b>	<b>1,000,191</b>
Cash and cash equivalents at the beginning of the year		3,111,277	2,111,086
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>4,551,072</b>	<b>3,111,277</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman



# NAFA CASH FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

## 1 LEGAL STATUS AND NATURE OF BUSINESS

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.

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned an asset manager rating of AM2 to the Management Company and A(f) to 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 requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

### 2.2 Amendments to published accounting standards effective in 2008

Amendments to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces certain new disclosures about the level of and the management of an entity's capital. Adoption of this amendment has only resulted in additional disclosures relating to the management of NCF's unit holders' funds which have been set out in note 29 of these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 which are not considered relevant nor have any significant effect on the Fund's operations are not detailed in these financial statements.

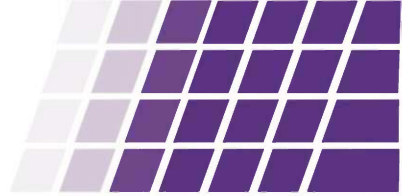
### 2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2008 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 (Revised September 2007)

effective from January 1, 2009

# NAFA CASH FUND



IAS 23 - Borrowing Costs (Revised March 2007)	effective from January 1, 2009
Amendments to IAS 27 (Revised) - Consolidated and Separate Financial Statements	effective from July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from April 28, 2008
IFRS 8 - Operating Segments	effective from January 1, 2009
IFRIC 12 - Service Concession Arrangements	effective from January 1, 2008
IFRIC 13 - Customer Loyalty Programmes	effective from July 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction	effective from January 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from October 1, 2008

## 2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its 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:

- i) Classification and valuation of investments (note 3.2 and note 5)
- ii) Amortisation of preliminary expenses and floatation cost (note 3.7 and note 10)

## 2.5 Accounting convention

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

## 2.6 Functional and Presentation Currency

The 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.





# NAFA CASH FUND

## 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'. Financial assets at fair value through profit and loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition 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 unquoted debt securities are also carried at fair value.

### b) 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 debt securities are also carried at fair value.

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.

### 3.2.1 Change in accounting policy in respect of subsequent measurement of investments in unlisted debt securities

During the year the Fund has changed its accounting policy in respect of subsequent measurement of investments in unlisted debt securities. As per the Fund's revised accounting policy, subsequent to initial recognition, investment in unlisted debt securities are measured at fair value in line with the requirements set out by IAS 39; 'Financial Instruments: Recognition and Measurement'. Previously, subsequent to initial recognition, such investments were carried at cost / investment price in accordance with the methodology for valuation of unlisted debt securities specified in the NBFC Rules.

The above change has been made keeping in view the amendments made in the NBFC Rules and the simultaneous promulgation of the NBFC Regulations by the SECP in November 2007. The requirements to compute the net assets of a collective investment scheme previously laid down in the NBFC Rules are now set out under clause 2(i)(xvi) of the NBFC

# NAFA CASH FUND

Regulations. In the absence of any specific guidance on the valuation of investments in unlisted debt securities contained in the NBFC Regulations the Fund has adopted the measurement principles set out under IAS-39 for valuation of such securities. The change in accounting policy has not been applied retrospectively as it is impracticable to do so.

Had there been no change in the accounting policy, the carrying value of investments as at June 30, 2008 would have been lower by Rs 22,597 thousand.

## 3.2.2 Change in basis for determination of fair value of listed debt securities

During the year the Fund has changed its basis for determination of fair value of listed debt securities, subsequent to their initial recognition. This change has been made to comply with the requirements set out in the NBFC Regulations issued by SECP in November 2007. The requirements to compute the net assets of a collective investment scheme previously laid down in the NBFC Rules are now set out under clause 2(i)(xvi) of the NBFC Regulations. In accordance with the NBFC Regulations debt securities listed but not regularly traded on the stock exchange are valued, subsequent to initial recognition, at the average rate notified by the Mutual Funds Association of Pakistan based on the average rates quoted by top three brokers, in terms of volume traded during the last three months in that debt security.

Previously, the investments of the Fund in listed debt securities were revalued using the average of the rates quoted by certain brokerage houses. This methodology for determination of fair value of listed debt securities was not in accordance with the NBFC Rules which required such investments to be revalued using the rates quoted on the stock exchange on which these investments were listed. However, the management was of the view that the rates used by the Fund were representative of the fair market value of these investments and that such valuation methodology was fair to the existing as well as the new investors.

The change in basis for determination of fair value of listed debt securities has not made any material impact on the net assets of the Fund as it is broadly on the same lines as the valuation methodology previously used by the Fund.

## 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. 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)

In accordance with the requirements of IAS 39, securities purchased by the Fund in the ready market are 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'.

## 3.6 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of



# NAFA CASH FUND

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 floatation costs

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

### 3.8 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 Taxation

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

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

### 3.10 Proposed distributions

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

### 3.11 Financial assets and financial liabilities

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

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

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

### 3.12 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.

# NAFA CASH FUND



## 3.13 Issue and redemption of units

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

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.

## 3.14 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.

## 3.15 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase (reverse repo) transactions and Continuous Funding System (CFS) transactions is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the payment is established.
- Income on Term Finance Certificates is recognised on 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.

## 3.16 Foreign currency translation

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

# NAFA CASH FUND

	NOTE	2008 (Rupees in '000')	2007 (Rupees in '000')
<b>4 BALANCES WITH BANKS</b>			
Current accounts		23	5,266
Savings accounts		2,751,049	1,806,011
Term deposits		1,800,000	1,300,000
		<u>4,551,072</u>	<u>3,111,277</u>
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Equity securities purchased under futures sales contracts	5.1.1	92,174	-
Units of open end mutual funds	5.1.2	75,473	-
Term finance certificates - listed	5.1.3	3,379,404	1,641,967
<b>Available for sale</b>			
Term finance certificates and sukuk bonds - unlisted	5.2	4,729,702	1,417,403
Commercial paper	5.3	133,414	-
		<u>8,410,167</u>	<u>3,059,370</u>
<b>5.1.1 Equity securities purchased under future sale contracts</b>			

These securities are held under Ready-Future transactions. These securities are purchased in the ready "T+2" market and simultaneously sold in the future market. The details are as follows:

Name of the investee company	Number of shares					Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	As at July 01, 2007	Purchases during the year	Bonus	Sales during the year	As at June 30, 2008			

(Rupees in '000')

Fully paid ordinary shares of Rs 10 each

## Commercial Banks

Allied Bank Limited	-	12,000	-	12,000	-	-	-	-
Askari Bank Limited	-	1,240,500	-	1,240,500	-	-	-	-
Arif Habib Bank Limited	-	122,500	-	122,500	-	-	-	-
Bank Al Falah Limited	-	4,578,500	-	4,578,500	-	-	-	-
Bank of Punjab	-	5,032,000	87,000	5,099,000	20,000	623	0.00	0.01
MCB Bank Limited	-	1,560,000	-	1,560,000	-	-	-	-
National Bank of Pakistan	-	6,961,000	162,000	6,903,000	220,000	32,450	0.13	0.39
Jahangir Siddiqui Bank Limited	-	1,068,000	-	1,068,000	-	-	-	-
Faysal Bank Limited	-	201,000	-	201,000	-	-	-	-
Habib Bank Limited	-	32,500	-	32,500	-	-	-	-
United Bank Limited	-	49,000	-	49,000	-	-	-	-

## Investment Banks / Companies

Arif Habib Securities Limited	-	335,000	-	314,500	20,500	3,310	0.01	0.04
Jahangir Siddiqui & Company Limited	-	252,500	-	252,500	-	-	-	-

## Insurance

Adamjee Insurance Company Limited	-	37,000	-	37,000	-	-	-	-
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## Engineering

Crescent Steel & Allied Products Limited	-	98,500	-	98,500	-	-	-	-
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# NAFA CASH FUND



Name of the investee company	Number of shares					Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	As at July 01, 2007	Purchases during the year	Bonus	Sales during the year	As at June 30, 2008			
<b>Cement</b>								
D.G Khan Cement Company Limited	-	1,679,000	-	1,679,000	-	-	-	-
Lucky Cement Limited	-	1,420,000	-	1,395,000	25,000	2,448	0.01	0.03
Maple Leaf Cement Factory Limited	-	458,000	-	458,000	-	-	-	-
Pioneer Cement Limited	-	14,000	-	14,000	-	-	-	-
<b>Oil &amp; Gas Marketing Companies</b>								
Pakistan State Oil Company Limited	-	505,500	-	492,500	13,000	5,424	0.02	0.06
Sui Northern Gas Pipelines Limited	-	49,500	-	49,500	-	-	-	-
Sui Southern Gas Company Limited	-	80,500	-	80,500	-	-	-	-
<b>Oil &amp; Gas Exploration Companies</b>								
Oil & Gas Development Company Limited	-	4,354,000	-	4,351,000	3,000	373	0.00	0.00
Pakistan Oil Fields Limited	-	2,245,000	-	2,235,000	10,000	3,649	0.02	0.04
Pakistan Petroleum Limited	-	7,983,000	192,500	8,009,000	166,500	40,957	0.17	0.49
<b>Chemicals</b>								
ICI Pakistan Limited	-	3,000	-	3,000	-	-	-	-
Sitara Peroxide Limited	-	113,000	-	81,500	31,500	1,711	0.01	0.02
<b>Power &amp; Generation Companies</b>								
Hub Power Company Limited	-	82,500	-	46,000	36,500	1,044	0.00	0.01
<b>Textile Composite</b>								
Nishat Mills Limited	-	374,500	-	372,500	2,000	172	0.00	0.00
Azgard Nine Limited (Non-Voting Ordinary shares)	-	257	-	-	257	13	0.00	0.00
Azgard Nine Limited	-	404,000	-	404,000	-	-	-	-
<b>Technology &amp; Communication</b>								
Tele Card Limited	-	217,500	-	217,500	-	-	-	-
Pakistan Telecommunication Company Limited	-	600,000	-	600,000	-	-	-	-
NETSOL Technologies	-	19,500	-	19,500	-	-	-	-
<b>Synthetic and Rayon</b>								
Dewan Salman Fibre Limited	-	70,000	-	70,000	-	-	-	-
<b>Fertilizers</b>								
Engro Chemical Pakistan Limited	-	1,287,500	-	1,287,500	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	1,057,500	-	1,057,500	-	-	-	-
Fauji Fertilizer Company Limited	-	26,500	-	26,500	-	-	-	-
<b>Miscellaneous</b>								
Pace Pakistan Limited	-	403,500	-	403,500	-	-	-	-
						92,174	0.38	
<b>Cost of investments as at June 30, 2008</b>						<b>98,153</b>		

# NAFA CASH FUND

## 5.1.2 Units of open-end mutual funds

Name of the investee company	Number of Units					Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	As at July 01, 2007	Purchases during the year	Bonus	Sales during the year	As at June 30, 2008			
NAFA Income Fund	-	7,391,566	-	-	7,391,566	75,473	0.31	0.90
						<u>75,473</u>	<u>0.31</u>	
<b>Cost of investments as at June 30, 2008</b>						<u><u>75,000</u></u>		

## 5.1.3 Listed term finance certificates

Name of the investee company	Number of certificates				Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	As at July 01, 2007	Purchases during the year	Sales during the year	As at June 30, 2008			
Allied Bank Limited	49,950	-	22,000	27,950	148,102	0.62	1.76
Askari Bank Limited - I	9,000	4,400	-	13,400	69,168	0.29	0.82
Askari Bank Limited - II	2,000	6,000	-	8,000	41,351	0.17	0.49
Azgard Nine Limited	40,000	-	10,000	30,000	155,065	0.64	1.84
Bank Al Habib Limited	30,000	-	3,000	27,000	143,488	0.60	1.71
Bank Alfalah Limited - II	15,128	-	10,000	5,128	26,535	0.11	0.32
Bank Alfalah Limited - III	9,727	-	-	9,727	50,308	0.21	0.60
Chanda Oil & Gas Securitization Co. Limited	22,790	-	22,790	-	-	-	-
Engro Chemical Pakistan Limited	-	80,000	-	80,000	404,239	1.68	4.81
Escort Investment Bank Limited	10,000	-	-	10,000	51,439	0.21	0.61
Faysal Bank Limited	10,000	20,000	18,000	12,000	61,614	0.26	0.73
Gharibwal Cement Limited	10,000	-	5,000	5,000	25,000	0.10	0.30
Jahangir Siddiqui & Co. Limited	18,000	-	-	18,000	90,396	0.38	1.07
Naimat Basal Oil & Gas Securitization Co. Limited	-	6,000	2,000	4,000	8,017	0.03	0.10
NIB Bank Limited	-	72,000	-	72,000	364,464	1.52	4.33
Orix Leasing Pakistan Limited	50,000	-	-	50,000	253,973	1.06	3.02
Pace (Pakistan) Limited	-	30,000	-	30,000	151,935	0.63	1.81
Pak Arab Fertilizers Limited	-	100,000	-	100,000	499,150	2.08	5.94
Pak Electron Limited	10,000	-	-	10,000	50,585	0.21	0.60
Pakistan Mobile Communications (Pvt) Limited	25,000	-	10,000	15,000	80,568	0.34	0.96
Saudi Pak Leasing Company Limited	-	15,000	-	15,000	75,652	0.31	0.90
Standard Chartered Bank (Pakistan) Limited	6,400	-	-	6,400	31,655	0.13	0.38
Soneri Bank Limited	6,000	-	6,000	-	-	-	-
IGI Investment Bank Limited	5,947	-	5,947	-	-	-	-
United Bank Limited	5,000	8,000	13,000	-	-	-	-
United Bank Limited IV	-	120,000	-	120,000	596,700	2.48	7.09
					<u>3,379,404</u>	<u>14.06</u>	
<b>Cost of term finance certificates</b>					<u><u>3,367,338</u></u>		

# NAFA CASH FUND



5.1.4 Fair value of listed Term Finance Certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan.

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

5.1.6 Investments include Term Finance Certificates with market value aggregating to Rs.1,958,280 thousand that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by SECP.

## 5.2 Unlisted term finance certificates - available for sale

Name of the investee company	Number of certificates				Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	As at July 01, 2007	Purchases during the year	Sales during the year	As at June 30, 2008			

(Rupees in '000')

### Term finance certificate - unlisted

Avari Hotels International	-	35,040	-	35,040	175,200	0.73	2.08
Azgard Nine Limited	50,000	-	-	50,000	250,900	1.04	2.98
Wateen Telecom Limited	16,666	-	16,666	-	-	-	-
KASB Securities Limited	10,000	-	10,000	-	-	-	-
Dewan Cement Limited	-	30,000	-	30,000	150,000	0.62	1.78
Engro Chemical Pakistan Limited	-	104,800	24,800	80,000	407,000	1.69	4.84
First Dawood Investment Bank Limited	-	10,900	4,000	6,900	34,873	0.15	0.41
Jahangir Siddiqui & Company Limited - V	25,000	14,000	18,000	21,000	106,113	0.44	1.26
New Allied Electronics Industries (Pvt) Limited	18,000	12,000	15,000	15,000	75,502	0.31	0.90
Orix Leasing Pakistan Limited	-	100,000	-	100,000	500,850	2.08	5.96
Pak American Fertilizers Limited	-	30,000	-	30,000	150,300	0.63	1.79
Pakistan Mobile Communication (Pvt) Limited	20,000	230,000	40,000	210,000	967,577	4.02	11.50
Prime Securitization	16,000	-	16,000	-	-	-	-
Three Star Cement	1,100	-	1,100	-	-	-	-
World Telecom - Pre IPO	-	45,000	-	45,000	225,000	0.94	2.68
					3,043,315	12.65	

### Sukuk bonds

Century Paper and Board Mills Limited	-	53,000	10,000	43,000	219,257	0.91	2.61
Kohat Cement Company Limited	28,000	500,000	28,000	500,000	242,055	1.01	2.88
Engro Chemical Pakistan Limited	60,000	-	-	60,000	306,510	1.27	3.64
Maple Leaf Cement Factory Limited	-	130,000	50,000	80,000	402,320	1.67	4.78
Orix Leasing Pakistan Limited	-	10,000	-	10,000	50,000	0.21	0.59
Pak Electron Limited	-	24,000	5,000	19,000	96,111	0.40	1.14
New Allied Electronics Industries (Pvt) Limited	-	196,000	192,000	4,000	20,134	0.08	0.24
National Industrial Parks	-	40,000	-	40,000	200,000	0.83	2.38
BRR Guardian Modaraba	-	10,000	-	10,000	50,000	0.21	0.59
House Building Finance Corporation Limited	-	20,000	-	20,000	100,000	0.42	1.19
					1,686,387	7.01	
					4,729,702		

Cost of investments as at June 30, 2008

4,707,105

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



# NAFA CASH FUND

## 5.3 Commercial Paper - available for sale

Name of the investee company	Number of certificates				Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	As at July 01, 2007	Purchases during the year	Sales during the year	As at June 30, 2008			
Packages Limited	-	4,000	4,000	-	-	-	-
World Telecom	-	13,000	13,000	-	-	-	-
Pak Electron Limited	-	12,000	9,000	3,000	14,953	0.06	0.18
Azgard Nine Limited	17,823	15,177	18,000	15,000	70,045	0.29	0.83
IGI Insurance Limited	-	10,000	-	10,000	48,416	0.20	0.58
					<u>133,414</u>	<u>0.55</u>	
					<u><u>133,414</u></u>	<u><u>0.55</u></u>	

NOTE                      2008                      2007  
(Rupees in '000')

## 6 LOANS AND RECEIVABLES

Clean placements		40,000	140,000
Certificates of Investment		200,000	100,000
Term Deposit Receipts		6,200,000	3,900,000
Less: Provision against impairment in loans and receivables	6.1	<u>(10,198)</u>	<u>(9,983)</u>
		<u><u>6,429,802</u></u>	<u><u>4,130,017</u></u>

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

Last 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 was acquired by new sponsors who 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 till 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 asset 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.

## 7 RECEIVABLE AGAINST CFS TRANSACTIONS

The rates of return on CFS transactions outstanding at June 30, 2008 range between 11.06% and 38.8% per annum (2007: 10.26% to 13.66% per annum).

# NAFA CASH FUND



	NOTE	2008 (Rupees in '000')	2007
<b>8 DIVIDEND AND PROFIT RECEIVABLE</b>			
Dividend receivable on shares held under spread transactions		2,804	-
Income accrued on Continuous Funding System (CFS) transactions		25,204	26,767
Profit on savings and term deposits		239,415	158,029
Income accrued on Term Finance Certificates and Sukuk bonds		234,196	68,779
Income accrued on clean placements		149	57
Income accrued on Certificates of Investment		4,298	2,836
		<u>506,066</u>	<u>256,468</u>
<b>9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Security deposits with:			
- National Clearing Company of Pakistan Limited		3,500	1,000
- Central Depository Company of Pakistan Limited		100	100
Unrealised gain on revaluation of future contracts		1,446	-
Prepaid listing fee		16	15
Cash margin with National Clearing Company of Pakistan Limited		7,938	-
Prepaid annual fee - CFS MK II		855	-
Receivable from NAFA Multi Asset Fund on transfer-in of units		17,766	-
Receivable from NAFA Income Fund on transfer-in of units		2,682	-
Receivable from NAFA Stock Fund on transfer-in of units		16,477	-
Others		268	-
		<u>51,048</u>	<u>1,115</u>
<b>10 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening Balance	10.1	1,904	2,404
Less: amortisation during the period		501	500
Balance as at June 30, 2008		<u>1,403</u>	<u>1,904</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 PAYABLE TO NATIONAL FULLERTON ASSET MANAGEMENT LIMITED – MANAGEMENT COMPANY</b>			
Management fee	11.1	27,694	20,017
Others		-	270
		<u>27,694</u>	<u>20,287</u>

**11.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, 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 year. The remuneration is paid on a monthly basis in arrears.

# NAFA CASH FUND

NOTE 2008 2007  
(Rupees in '000')

## 12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Trustee fee	12.1	<u>1,928</u>	<u>1,417</u>
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12.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2008 is as follows:

### Amount of Funds Under Management (Average NAV)

Upto Rs. 1,000 million

On an amount exceeding Rs 1,000 million

### Tariff per annum

Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher

Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million

## 13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

Annual Fee	13.1	<u>22,381</u>	<u>7,933</u>
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13.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, the fund 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.

## 14 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration		264	278
Settlement charges payable		1,405	1,489
Payable to brokers		3,514	13,914
Dividend payable to brokers		4,026	21,326
Others		<u>16,440</u>	<u>668</u>
		<u>25,649</u>	<u>37,675</u>

## 15 COMMITMENTS

Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase and sale transactions have not been settled as at year end

		<u>1,106,535</u>	<u>4,320,785</u>
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Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transactions have not been settled as at year end

		<u>95,494</u>	<u>-</u>
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## 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 year end.

# NAFA CASH FUND



2008                      2007  
(Rupees in '000')

**17 PROFIT ON BANK DEPOSITS**

Income on savings deposits	114,793	50,757
Income on term deposits	660,595	242,234
	775,388	292,991

**18 AUDITORS' REMUNERATION**

Audit fee	250	250
Half yearly review	100	100
Out of pocket expenses	12	28
	362	378

**19 TAXATION**

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

**20 EARNINGS PER UNIT**

Earnings per unit (EPU) for the year ended June 30, 2008 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

**21 TRANSACTIONS WITH CONNECTED PERSONS**

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

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

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

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

# NAFA CASH FUND

For the year  
ended June  
30, 2008

For the year  
ended June  
30, 2007

(Rupees in '000)

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

## National Fullerton Asset Management Limited - Management Company

Management fee expense for the year	335,722	118,989
Investment made by the Management Co. in the Fund (1,925,948 units; 2007: 5,035,062 units)	20,000	55,000
Units redeemed/ Transferred out (7,488,252 units)	80,011	-
Bonus units issued (527,242 units; 2007: Nil)	5,287	-

## NAFA Provident Fund Trust

Units issued (325,277 units; 2007: 83,824 units)	3,450	917
Bonus units issued (12,602 units)	128	-

## National Bank of Pakistan - Sponsor

Units redeemed (4,683,665 units; 2007: 5,237,500 units)	50,000	55,407
Bonus units issued (785,356 units; 2007: 237,500 units)	7,875	2,375

## NIB Bank Limited - Sponsor

Units redeemed/ Transferred out (2,514,074 units)	25,782	-
Income on bank deposits	13,710	18,906
Term deposits availed during the year	1,800,000	2,400,000
Income on term deposits	32,078	17,223
Bonus units issued (2,134,074 units; 2007: 380,000 units)	21,399	3,800

## Alexandra Fund Management Pte. Limited - Sponsor

Bonus units issued (1,318,236 units; 2007: 190,000 units)	13,352	1,900
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## Chief Executive Officer

Units issued/ Transferred in (18,205,087 units; 2007: 563,487 units)	190,664	6,200
Units redeemed/ Transferred out (15,222,867 units; 2007: 1,296,243 units)	159,211	14,065
Bonus units issued (80,586 units; 2007: 15,684 units)	845	157

## Spouse of Chief Executive

Units issued/ Transferred in (Nil units; 2007: 164,449 units)	-	1,700
Units redeemed/ Transferred out (1,812 units; 2007: 146,212 units)	19	1,538
Bonus units issued (2,328 units)	24	-

## Executives of Management Company

Units issued/ Transferred in (2,105,238 units; 2007: 1,017,150 units)	21,940	11,046
Units redeemed/ Transferred out (2,111,937 units; 2007: 695,487 units)	22,085	7,612
Bonus units issued (26,068 units)	265	-

## NAFA Multi Asset Fund

Units issued/ Transferred in (80,255,050 units)	840,000	-
Units redeemed/ Transferred out (61,824,900 units)	647,757	-
Bonus units issued (339,284 units)	3,582	-

# NAFA CASH FUND



For the year  
ended June  
30, 2008

For the year  
ended June  
30, 2007

(Rupees in '000)

## NAFA Stock Fund

Units issued/ Transferred in (21,067,490 units)	225,000	-
Units redeemed/ Transferred out (18,729,398 units)	200,000	-

## NAFA Income Fund

Units issued (7,391,566 units)	75,000	-
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## Central Depository Company of Pakistan Ltd. - Trustee

Remuneration	23,381	8,933
Units issued/ transferred in (17,868,868 units; 2007: 2,328,527 units)	186,847	25,000
Units redeemed/ transferred out units(12,395,789 units)	131,327	-
Bonus units issued (401,512 units)	4,110	-
CDS Charges	4,837	6,199

As at June  
30, 2008

As at June  
30, 2007

(Rupees in '000)

## 21.6 Amounts outstanding as at year end

### National Fullerton Asset Management Limited - Management Company

Management Fee Payable	27,694	20,017
Investment held by the management company in the Fund (Nil units; 2007: 5,035,062 units)	-	55,755
Other (receivable) / payable to the management company	(268)	270

### NAFA Provident Fund Trust

Investment held by NAFA Provident Fund Trust (421,703 units; 2007: 83,824 units)	4,545	929
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### National Bank of Pakistan - Sponsor

Investment held by the sponsor in the Fund (3,601,691 units; 2007: 7,500,000 units)	38,815	83,080
Balances in savings account	1,632	5,246

### NIB Bank Limited - Sponsor

Investment held by the sponsor in the Fund (20,000,000 units; 2007:20,380,000 units)	215,538	225,755
Balances in savings account	403,499	510,410
Profit receivable on bank deposits	1,052	264
TDR Balance	-	300,000
Profit receivable on TDR	-	4,574

# NAFA CASH FUND

	As at June 30, 2008	As at June 30, 2007
	(Rupees in '000')	
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment held by the Sponsor in the Fund (11,508,236 units; 2007: 10,190,000 units)	124,023	112,878
<b>Chief Executive Officer</b>		
Investment held by the Chief Executive Officer (3,171,218 units; 2007: 108,412 units)	34,176	1,201
<b>Spouse of Chief Executive</b>		
Investment held in the Fund (18,753 units; 2007: 18,237 units)	202	202
<b>Executives of Management Company</b>		
Investment held in the Fund (210,536 units; 2007: 199,298 units)	2,269	2,207
<b>NAFA Multi Asset Fund</b>		
Investment held in the Fund (18,769,434 units)	202,276	-
<b>NAFA Stock Fund</b>		
Investment held in the Fund (2,338,092 units)	25,197	-
<b>NAFA Income Fund</b>		
Investment held by the Fund ( 7,391,566 units)	75,473	-
<b>Central Depository Company of Pakistan Ltd. - Trustee</b>		
Remuneration payable	1,928	1,417
Investment held in the Fund (8,203,118 units 2007: 2,328,527)	88,404	25,794
CDS Charges	1,405	1,489
Security deposit	100	100

## 22 YIELD / INTEREST RATE RISK

- 22.1 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, 2008 -----				
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	4,551,072	4,551,049	-	-	23
Receivable against sale of Investments	254,258	-	-	-	254,258

# NAFA CASH FUND



June 30, 2008

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') -----					
Investments	8,410,167	87,614	8,154,907	-	167,646
Loans and receivables	6,429,802	2,100,000	1,800,000	2,529,802	-
Receivable against Continuous Funding System (CFS) transactions	3,993,216	3,993,216	-	-	-
Dividend and profit receivable	506,066	-	-	-	506,066
Advances and deposits	50,177	-	-	-	50,177
	<u>24,194,758</u>	<u>10,731,879</u>	<u>9,954,907</u>	<u>2,529,802</u>	<u>978,170</u>
<b>Financial Liabilities</b>					
Accrued expenses and other liabilities	25,649	-	-	-	25,649
Payable against redemption of units	75,581	75,581	-	-	-
Payable to National Fullerton Asset Management Limited - Management Company	27,694	-	-	-	27,694
Payable to Central Depository Company of Pakistan Limited - Trustee	1,928	-	-	-	1,928
	<u>130,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,852</u>
<b>On-balance sheet gap</b>	<u>24,063,906</u>	<u>10,731,879</u>	<u>9,954,907</u>	<u>2,529,802</u>	<u>847,318</u>
<b>Off-balance sheet financial instruments</b>					
CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase and sale transactions has not been settled as at June 30, 2008	1,106,535	1,106,535	-	-	-
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transactions have not been settled as at year end	95,494	95,494	-	-	-
<b>Off-balance sheet gap</b>	<u>1,202,029</u>	<u>1,202,029</u>	<u>-</u>	<u>-</u>	<u>-</u>



# NAFA CASH FUND

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

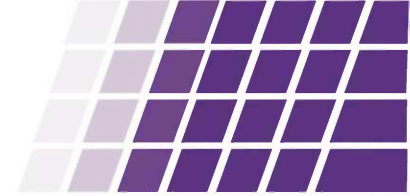
Balances with banks	3,111,277	3,106,011	-	-	5,266
Investments	3,059,370	1,493,951	1,565,419	-	-
Loans and receivables	4,130,017	965,017	2,825,000	340,000	-
Receivable against Continuous Funding System (CFS) transactions	7,755,443	7,755,443	-	-	-
Dividend and profit receivable	256,468	-	-	-	256,468
Advances and deposits	1,100	-	-	-	1,100
	<u>18,313,675</u>	<u>13,320,422</u>	<u>4,390,419</u>	<u>340,000</u>	<u>262,834</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
	<u>59,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,484</u>
<b>On-balance sheet gap</b>	<u>18,254,191</u>	<u>13,320,422</u>	<u>4,390,419</u>	<u>340,000</u>	<u>203,350</u>

## Off-balance sheet financial instruments

CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase and sale transactions has not been settled as at June 30, 2007	4,320,785	4,320,785	-	-	-
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transactions have not been settled as at year end	-	-	-	-	-
<b>Off-balance sheet gap</b>	<u>4,320,785</u>	<u>4,320,785</u>	<u>-</u>	<u>-</u>	<u>-</u>



2008      2007  
Percentage per annum

**22.2** The rates of return on financial instruments are as follows:

Balances with banks	1.3-13	1.30 - 12.75
Receivable against Continuous Funding System (CFS) transactions	11.06 - 38.8	10.31 - 20.92
Receivable against spread transactions	-	-
Investments - Term Finance Certificates	10.24 - 16.32	10.54 - 13.85
Loans and receivables - clean placements	1.5	1.50 - 14.25
Loans and receivables - Certificates of Investment	10.6	11.25 - 12.30
Loans and receivables - Term Deposit Receipts	10.5 - 18	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	14.55 - 49.94	10.26 - 13.66

**23 MATURITIES OF ASSETS AND LIABILITIES**

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

	June 30, 2008			
	Total	Upto three months	Over three months and upto one year	Over one year
<b>Assets</b>	(Rupees in '000')			
Balances with banks	4,551,072	4,551,072	-	-
Receivable against sale of Investments	254,258	254,258	-	-
Investments	8,410,167	87,614	84,841	8,237,712
Loans and receivables	6,429,802	2,100,000	1,800,000	2,529,802
Receivable against Continuous Funding System (CFS) transactions	3,993,216	3,993,216	-	-
Dividend and profit receivable	506,066	506,066	-	-
Advances, deposits, prepayments and other receivables	51,048	46,837	611	3,600
Preliminary expenses and floatation costs	1,403	126	374	903
	<b>24,197,032</b>	<b>11,539,189</b>	<b>1,885,826</b>	<b>10,772,017</b>
<b>Liabilities</b>				
Payable to National Fullerton Asset Management Limited – Management Company	27,694	27,694	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	1,928	1,928	-	-
Payable to Securities and Exchange Commission of Pakistan	22,381	22,381	-	-
Payable on redemption of units	75,581	75,581	-	-
Accrued expenses and other liabilities	25,649	25,649	-	-
	<b>153,233</b>	<b>153,233</b>	<b>-</b>	<b>-</b>
	<b>24,043,799</b>	<b>11,385,956</b>	<b>1,885,826</b>	<b>10,772,017</b>

# NAFA CASH FUND

June 30, 2007

## Assets

	Total	Upto three months	Over three months and upto one year	Over one year
Balances with banks	3,111,277	3,111,277	-	-
Receivable against sale of Investments	-	-	-	-
Investments	3,059,370	282,800	62,825	2,713,745
Loans and receivables	4,130,017	965,017	2,825,000	340,000
Receivable against Continuous Funding System (CFS) transactions	7,755,443	7,755,443	-	-
Dividend and profit receivable	256,468	256,468	-	-
Advances, deposits, prepayments and other receivables	1,115	-	-	1,115
Preliminary expenses and floatation costs	1,904	125	375	1,404
	18,315,594	12,371,130	2,888,200	3,056,264

## Liabilities

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	7,933	7,933	-	-
Payable on redemption of units	105	105	-	-
Accrued expenses and other liabilities	37,675	37,675	-	-
	67,417	67,417	-	-
	18,248,177	12,303,713	2,888,200	3,056,264

## 24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	Qualification	Experience in years
1 Dr. Amjad Waheed	Doctorate in Business Administration / CFA	17
2 Sajjad Anwar	CFA / MBA Finance	7.5
3 Rukhsana Narejo (Fund Manager - NAFA Cash Fund and NAFA Income Fund)	CFA, MBA Banking and Finance	6
4 Khurram Shehzad	CFA / MBA	9

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

	2008 %
1 Dawood Equities Limited	19.28%
2 Escorts Investment Bank Limited	11.58%
3 Noman Abid and Company Limited	6.87%
4 Live Securities (Pvt) Limited	6.59%
5 BMA Capital Management Limited	5.16%
6 Al-Hoqani Securities and Investment Corporation (Pvt) Limited	3.83%
7 Alfalah Securities (Pvt) Limited	3.66%
8 Orix Investment Bank Pakistan Limited	3.17%
9 FDM Capital Securities (Pvt) Limited	3.12%
10 Atlas Capital Markets (Pvt.) Limited	3.06%

# NAFA CASH FUND



	2007 %
1 Orix Investment Bank Pakistan Limited	15.61%
2 Live Securities (Pvt) Limited	10.62%
3 Dawood Equities Limited	8.55%
4 JS Global Capital Limited	7.80%
5 Escorts Investment Bank Limited	7.52%
6 Standard Capital Securities (Pvt) Limited	5.67%
7 ACE Securities (Pvt.) Limited	5.41%
8 Ismail Iqbal Securities (Pvt) Limited	4.85%
9 IGI Finex Securities Limited	4.56%
10 FDM Capital Securities (Pvt) Limited	4.51%

## 26 PATTERN OF UNIT HOLDING

Category	2008		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	4,137	2,789,596	11.60%
Associated companies / Directors	4	412,552	1.72%
Insurance companies	17	445,060	1.85%
Bank / DFIs	28	7,476,060	31.09%
NBFCs	3	5,007	0.02%
Retirement funds	-	-	-
Public Limited companies	37	4,284,451	17.82%
Others	384	8,631,073	35.90%
	4,610	24,043,799	100%

Category	2007		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	1846	2,720,130	14.91%
Associated companies / Directors	4	422,914	2.32%
Insurance companies	11	248,073	1.36%
Bank / DFIs	27	7,374,096	40.41%
NBFCs	1	-	-
Retirement funds	0	-	-
Public Limited companies	28	2,747,526	15.06%
Others	168	4,735,438	25.95%
	2085	18,248,177	100.00%

# NAFA CASH FUND

## 27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 12th, 13th, 14th, 15th and 16th Board meetings were held on July 5, 2007, August 8, 2007, October 18, 2007, February 15, 2008 and April 16, 2008 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Masood Karim	5	5	-	
Dr Amjad Waheed	5	5	-	
Mr. Gerard Lee	5	4	1	12th meeting
Mr. Iqbal Hassan	5	4	1	16th meeting
Patrick Pang	5	5	-	
Shahid Anwar	5	2	3	12th, 13th and 16th meeting
Masroor Qureshi	5	5	-	

## 28 RISK MANAGEMENT POLICIES

### 28.1 Market risk

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

### 28.2 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.

### 28.3 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

# NAFA CASH FUND

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 financial liabilities and investing in highly liquid financial assets.

## 28.4 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.

## 29 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies stated in note 28, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

## 30 FAIR VALUE OF FINANCIAL INSTRUMENTS

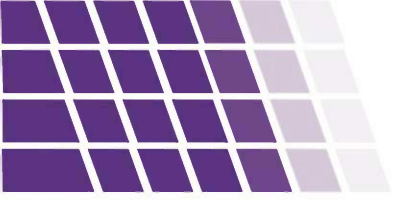
Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

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

The Board of Directors of the Management Company in their meeting held on July 03, 2008 have approved a distribution at the rate of 7.34 percent (2007: 10.5 percent.). The financial statements of the Fund for the year ended June 30, 2008 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, 2009.



## NAFA CASH FUND

### 32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 11, 2008

### 33 GENERAL

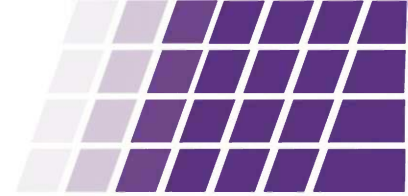
Figures have been rounded off to the nearest thousand rupees

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman

# NAFA CASH FUND

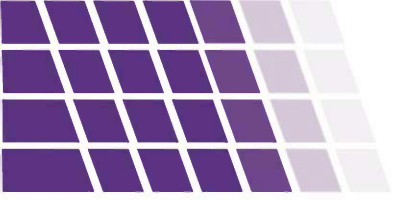


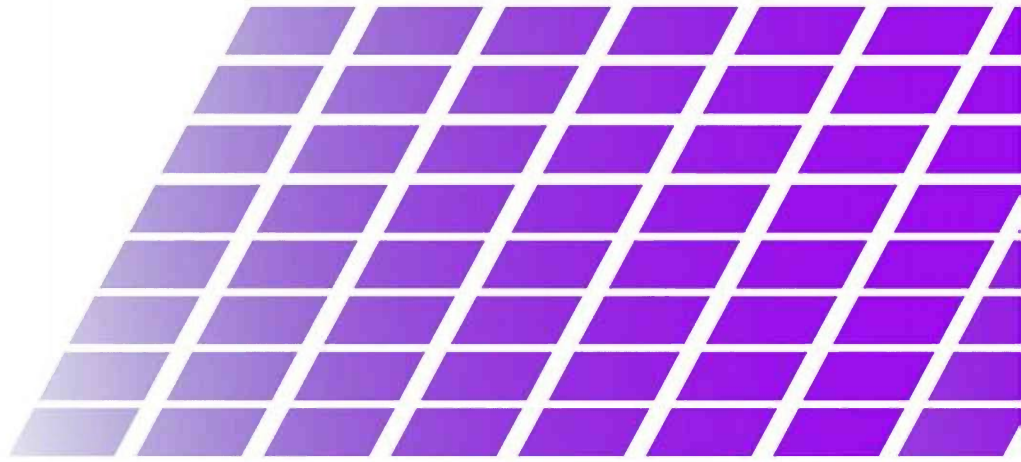
## Performance Table

Particulars	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)	24,043,799	18,248,177	3,874,369
Net Income (Rs '000)	2,184,127	1,773,340	72,844
Net Asset Value per unit (Rs)	10.0410	10.0273	10.0016
Offer price per unit	10.0410	10.0273	10.0016
Redemption price per unit	10.0410	10.0273	10.0016
Highest offer price per unit (Rs)	9.8221	10.0273	10.0016
Lowest offer price per unit (Rs)	9.0583	8.9543	9.8163
Highest redemption price per unit (Rs)	9.8221	10.0273	10.0016
Lowest redemption price per unit (Rs)	9.0583	8.9543	9.8163
Total return of the fund	9.83%	10.76%	1.92%
Capital growth	0.13%	0.26%	0.02%
Income distribution	9.70%	10.50%	1.90%
Interim distribution per units	0.2356		
Final distribution per unit	0.7359	1.05	0.19
Distribution dates			
Interim	15-Apr-08		
Final	3-Jul-08	5-Jul-07	4-Jul-06
Average annual return (launch date 22-04-2006). (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	2 Years	2 Years	2 Years

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







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