

# NAFA CASH FUND

## NAFA CASH FUND

**HALF YEARLY REPORT  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2009  
(UN-AUDITED)**

# 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 unaudited financial statements of NAFA Cash Fund for the half year ended December 31, 2009.

### Fund's Performance

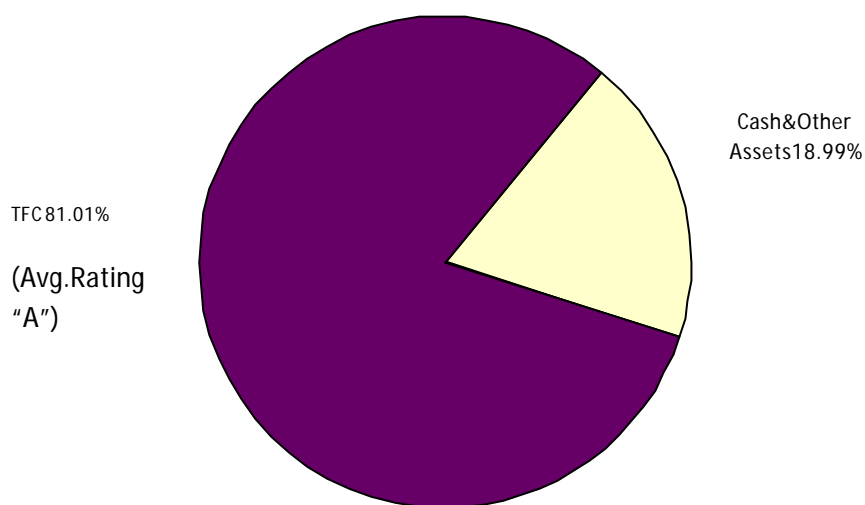
The size of NAFA Cash Fund has reduced from Rs. 7,665 million to Rs. 4,825 million during the period, i.e. a decline of 37.05%. During the said period, the unit price of NAFA Cash Fund has increased from Rs. 9.7044 (Ex-Div) on June 30, 2009 to Rs. 10.1668 on December 31, 2009, thus showing an annualized return of 9.67% as compared to its Benchmark (1-Month KIBOR) return of 12.94% for the same period.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a stability rating of A+(f) to NAFA Cash Fund.

NAFA Cash Fund has earned total income of Rs. 408.92 million during the period. After deducting expenses of Rs. 256.68 million, the net income is Rs. 152.24 million, translating into earning per unit of Rs. 0.4624.

The asset allocation of the Fund as on December 31, 2009 is as follows:

### Asset Allocation as on December 31, 2009



# NAFA CASH FUND

## **Income Distribution**

The Board of Directors of the Management Company has approved an interim distribution of 1.979%. After interim distribution, the net asset value per unit will be Rs. 9.9689 on December 31, 2009.

## **Acknowledgement**

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitments shown by the staff and the Trustee.

On behalf of the Board of  
National Fullerton Asset Management Limited

Chief Executive

Chairman

Date: February 17, 2010  
Place: Karachi.

# NAFA CASH FUND

## TRUSTEEREPORRTTOTHEUNITHOLDERS

### **ReportoftheTrustee pursuanttoRegulation41(h)oftheNon-BankingFinanceCompaniesandNotified EntitiesRegulations,2008**

NAFACashFund(theFund),anopen-endschemewasestablishedunderatrustdeeddatedFebruary11,2006, executedbetweenNational FullertonAssetManagementLimited,asthe management company and Central DepositoryCompanyofPakistanLimited,asthetrustee.

Inouropinion,theManagementCompanyhasinallmaterialrespectsmanagedtheFundduringtheperiodfromJuly 01,2009toDecember31,2009inaccordancewiththeprovisionsofthefollowing:

- (i) Limitationsimposedontheinvestmentpowersofthemanagementcompanyundertheconstitutive documentsoftheFund;
- (ii) Thepricing,issuanceandredemptionofunitsarecarriedoutinaccordancewiththerequirementsofthe constitutivedocumentsoftheFund;and
- (iii) TheNon-BankingFinanceCompanies(EstablishmentandRegulations)Rules,2003,theNon-Banking FinanceCompaniesandNotifiedEntitiesRegulations,2008andtheconstitutedocumentsoftheFund.

**MuhammadHanifJakhura**  
ChiefExecutiveOfficer  
CentralDepositoryCompanyofPakistanLimited

Karachi,February24,2010

# NAFA CASH FUND

## AUDITORS' REPORT TO THE UNITHOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### **Introduction**

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Cash Fund** as at December 31, 2009, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2009. The Management Company (National Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement for the quarters ended December 31, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2009.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.  
Chartered Accountants.

Date: February 24, 2010

Karachi

# NAFA CASH FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2009

	Note	Unaudited DECEMBER 31, 2009	Audited June 30, 2009
-----Rupees in '000-----			
<b>ASSETS</b>			
Balances with banks		790,833	1,595,275
Investments	4	3,908,633	5,422,447
Loans and receivables		-	300,000
Deposits, prepayments and other receivables		9,192	5,603
Profit receivable	5	165,125	382,806
Preliminary expenses and floatation costs		653	903
<b>Total assets</b>		<b>4,874,436</b>	<b>7,707,034</b>
<b>LIABILITIES</b>			
Payable to National Fullerton Asset Management Limited - Management Company		5,928	11,702
Payable to Central Depository Company of Pakistan Limited - Trustee		517	744
Payable to Securities and Exchange Commission of Pakistan		2,583	12,096
Payable against redemption of units		37,930	14,884
Accrued expenses and other liabilities	6	2,339	2,504
<b>Total liabilities</b>		<b>49,297</b>	<b>41,930</b>
<b>Net assets</b>		<b>4,825,139</b>	<b>7,665,104</b>
<b>Unit holders' funds (As per Statement attached)</b>		<b>4,825,139</b>	<b>7,665,104</b>
<b>Contingencies and commitments</b>	8		
<b>Number of units in issue</b>		<b>474,599,183</b>	<b>759,231,532</b>
<b>Net asset value per unit</b>		<b>10.1668</b>	<b>10.0959</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Chairman

# NAFA CASH FUND

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

	Note	Half year ended		Quarter ended	
		DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
-----Rupees in '000-----					
<b>INCOME</b>					
Loss on sale of investments-net		(11,295)	(73,323)	(10,011)	(74,232)
Income from continuous funding system (CFS) transactions		-	103,801	-	17,621
Income from spread transactions		-	5,387	-	(140)
Profit on bank deposits and term deposit receipts		72,469	558,870	22,712	196,555
Income from term finance certificates, sukuk bonds and commercial papers		347,753	611,362	138,403	313,241
Income on certificates of deposit and clean placements		-	15,087	-	3,714
Income from treasury bills		7,847	-	1,213	-
Net unrealised appreciation/(diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss <sup>8</sup>		79,893	(426,781)	46,173	(414,369)
<b>Total income</b>		<b>496,667</b>	<b>794,403</b>	<b>198,490</b>	<b>42,390</b>
<b>EXPENSES</b>					
Remuneration of National Fullerton Asset Management Limited - Management Company		51,672	138,910	22,405	53,135
Remuneration of Central Depository Company of Pakistan Limited - Trustee		3,949	9,765	1,746	3,795
Annual fee - Securities and Exchange Commission of Pakistan		2,583	8,961	1,120	3,243
Annual listing fee		15	15	7	7
Brokerage and other transaction costs		45	2,840	12	297
Settlement charges and bank charges		255	6,445	255	539
Financial charges		-	33,988	-	33,988
Auditors' remuneration		273	258	130	134
Impairment loss on investments classified as 'available for sale'		196,994	149,700	219,884	149,700
Provision against impairment in loans and receivables		-	12,229	-	11,061
Fund rating fee		81	71	41	71
Legal and professional charges		46	16	46	16
Amortisation of preliminary expenses and floatation costs		250	250	121	124
Other expenses		521	2,449	521	1,913
<b>Total expenses</b>		<b>256,684</b>	<b>365,897</b>	<b>246,288</b>	<b>258,023</b>
<b>Net income/(loss) from operating activities</b>		<b>239,983</b>	<b>428,506</b>	<b>(47,798)</b>	<b>(215,633)</b>
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed		(87,747)	(362,057)	(45,394)	(308,155)
<b>Net income/(loss) for the period before taxation</b>		<b>152,236</b>	<b>66,449</b>	<b>(93,192)</b>	<b>(523,788)</b>
<b>Taxation</b>	7	-	-	-	-
<b>Net income/(loss) for the period after taxation</b>		<b>152,236</b>	<b>66,449</b>	<b>(93,192)</b>	<b>(523,788)</b>
<b>Earnings/(loss) per unit</b>	9				

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Chairman



# NAFA CASH FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
	-----Rupees in '000-----			
Net income/(loss) for the period after taxation	152,236	66,449	(93,192)	(523,788)
<b>Other comprehensive income</b>				
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed	41,161	281,585	15,620	13,081
Net unrealised (diminution)/appreciation on re-measurement of investments classified as 'available for sale'	41,322	(415,518)	177,035	(407,330)
Total comprehensive income/(loss) for the period	<u>234,719</u>	<u>(67,484)</u>	<u>99,463</u>	<u>(918,037)</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Chairman

# NAFA CASH FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
	-----Rupees in '000-----			
<b>Undistributed income brought forward</b>	290,606	1,684,637	409,731	619,970
Final distribution for the year ended June 30, 2009: 2.00% (2008: 7.34%)				
- Bonus units	(78,184)	(1,252,063)	-	-
- Cash distribution	(73,660)	(389,760)	-	-
Interim distribution for the quarter ended September 30, 2009: 1.979% (2008: 2.85%)				
- Bonus units	(53,704)	(268,945)	(53,704)	(268,945)
- Cash distribution	(64,874)	(206,556)	(64,874)	(206,556)
<b>Other comprehensive income</b>				
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed	41,161	281,585	15,620	294,666
Net income/(loss) for the period after taxation	152,236	66,449	(93,192)	(523,788)
<b>Undistributed income/(loss) carried forward</b>	<u>213,581</u>	<u>(84,653)</u>	<u>213,581</u>	<u>(84,653)</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Chairman

# NAFA CASH FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
	-----Rupees in '000-----			
<b>Net assets at the beginning of the period</b>	7,665,104	24,043,799	6,798,451	21,032,581
Issue of 188,909,508 units including 13,255,095 bonus units (2008: 1,034,094, 182 units)	1,759,618	8,826,881	520,136	3,382,359
Redemption of 473,541,857 units (2008: 2,183,378,231 units)	(4,785,078) (3,025,460)	(21,913,821) (13,086,940)	(2,560,575) (2,040,439)	(13,211,890) (9,829,531)
Issue of 7,900,178 bonus units in respect of final distribution for the year ended June 30, 2009: 2.00% (2008: 7.34%)	78,184	1,252,063	-	-
Issue of 5,354,917 bonus units in respect of interim distribution for the quarter ended September 30, 2009: 1.979% (2008: 2.85%)	53,704	268,945	53,704	268,945
Net element of (income)/loss and capital (gains)/losses included in prices of units issued less those units redeemed				
- amount representing accrued (income)/loss and capital (gains)/losses - transferred to income statement	87,747	362,057	45,394	308,155
- amount representing accrued (income)/loss - transferred to statement of comprehensive income	(41,161)	(281,585)	(15,620)	(13,081)
	46,586	80,472	29,774	295,074
Net unrealised (diminution)/appreciation on re-measurement of investments classified as 'available for sale'	41,322	(415,518)	139,839	(407,330)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	42,724	-	39,960	-
Net unrealised appreciation/(diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss	79,893	(426,781)	46,173	(414,369)
Other operating income/(loss)	72,343	493,230	(139,365)	(109,419)
<b>Net income/(loss) for the period</b>	152,236	66,449	(93,192)	(523,788)
<b>Distribution</b>				
Final distribution for the year ended June 30, 2009: 2.00% (2008: 7.34%)				
- Bonus distribution	(78,184)	(1,252,063)	-	-
- Cash distribution	(73,660)	(389,760)	-	-
Interim distribution for the quarter ended September 30, 2009: 1.979% (2008: 2.85%)				
- Bonus distribution	(53,704)	(268,945)	(53,704)	(268,945)
- Cash distribution	(64,874)	(206,556)	(64,874)	(206,556)
<b>Other comprehensive income</b>				
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those units redeemed	41,161	281,585	15,620	13,081
<b>Net assets as at the end of the period</b>	<u>4,825,139</u>	<u>10,373,531</u>	<u>4,825,139</u>	<u>10,373,531</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Chairman

# NAFA CASH FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
-----Rupees in '000-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income/(loss) for the period before taxation	152,236	66,449	(93,192)	(523,788)
<b>Adjustments</b>				
Net unrealised (appreciation)/diminution in the fair value of investments classified as financial assets at fair value through profit or loss - net	(79,893)	426,781	(46,173)	414,369
Amortisation of preliminary expenses and floatation costs	250	250	121	124
Loss on sale of investments	11,295	73,323	10,011	74,232
Impairment loss on investments classified as 'available for sale'	196,994	149,700	219,884	149,700
Element of (income)/loss and capital losses/(gains) included in prices of units issued less those units redeemed	87,747	362,057	45,394	308,155
	368,629	1,078,560	136,045	422,792
<b>(Increase)/decrease in assets</b>				
Receivable against Continuous Funding System (CFS) transactions	-	3,889,161	-	516,527
Receivable against spread transactions	-	-	-	-
Investments - net	1,469,464	827,013	1,484,278	872,150
Loans and receivables	300,000	3,029,802	300,000	1,738,634
Receivable against sale of investments	-	(33,205)	-	(287,463)
Deposits, prepayments and other receivables	(3,589)	42,181	6,723	(389)
Profit receivable	217,681	(192,880)	78,743	(33,695)
	1,983,556	7,562,072	1,869,744	2,805,764
<b>Increase/(decrease) in liabilities</b>				
Payable to National Fullerton Asset Management Limited - Management Company	(5,774)	2,281	(3,703)	3,266
Payable to Central Depository Company of Pakistan Limited - Trustee	(227)	(854)	(181)	(806)
Payable to Securities and Exchange Commission of Pakistan	(9,513)	(13,420)	1,120	(19,139)
Payable against redemption of units	23,046	(37,803)	32,241	24,194
Accrued expenses and other liabilities	(165)	(6,173)	279	(882)
	7,367	(55,969)	29,756	6,633
<b>Net cash inflow from operating activities</b>	2,359,552	8,584,663	2,035,545	3,235,189
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Borrowings from financial institutions	-	1,300,000	-	1,300,000
Net receipts against issue of units	1,759,618	8,826,881	520,136	3,382,359
Net payments against redemption of units	(4,785,078)	(21,913,821)	(2,560,575)	(13,211,890)
Distribution paid during the period	(138,534)	(596,316)	(64,874)	(206,556)
<b>Net cash outflow from financing activities</b>	(3,163,994)	(12,383,256)	(2,105,313)	(8,736,087)
<b>Net decrease in cash and cash equivalents during the period</b>	(804,442)	(3,798,593)	(69,768)	(5,500,898)
Cash and cash equivalents at the beginning of the period	1,595,275	4,551,072	860,601	6,253,377
<b>Cash and cash equivalents at the end of the period</b>	790,833	752,479	790,833	752,479

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Chairman

# NAFA CASH FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

NCF is an open-ended mutual fund and is listed on the Lahore Stock Exchange. 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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset management rating of AM2- to the Management Company. PACRA has assigned the stability rating of A+(f) to the Fund. Based on the performance of the Fund for the period ended June 30, 2009, it has assigned performance ranking of "Three Star" for short term and "Four Star" for long term to the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.

2.3 The directors of the asset management company declare that these condensed interim financial statements give a true and fair view of the Fund.

### 3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2009 except for the changes mentioned below:

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

# NAFA CASH FUND

The Fund has applied IAS1 (revised) from July 1, 2009, and has elected to present two separate performance statements. As a result, non-owner changes in equity which were previously credited directly in the statement of movement in unit holders' fund and the distribution statement are now shown as other comprehensive income in the performance statement (referred to as the statement of comprehensive income in these condensed interim financial statements). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods and hence restated statement of assets and liabilities has not been presented.

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

IAS39 (amendment), 'Financial Instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with the evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's financial statements.

IFRS7 (amendment) 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Fund's financial position or performance.

IAS32 (amendment), 'Financial Instruments: Presentation', and IAS1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity a obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular features is that a part from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. In this connection, Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 mandates the payment of 90% of the Fund's profits for the year as dividends, therefore the amendment has not changed the classification of units.

- 3.3 There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2009 but were reconsidered not to be relevant or did not have any significant effect on the Fund's operations.

	Note	Unaudited December 31, 2009	Audited June 30, 2009
-----Rupees in '000-----			
<b>4 INVESTMENTS</b>			
At fair value through profit or loss	4.1	507,851	1,481,667
Available for sale	4.2	3,400,782	3,940,780
		<u>3,908,633</u>	<u>5,422,447</u>
<b>4.1 Investments at fair value through profit or loss</b>			
Term finance certificates-listed	4.1.2	507,851	1,481,667
		<u>507,851</u>	<u>1,481,667</u>

# NAFA CASH FUND

## 4.1.1 Equity securities-listed

Name of the investee company	Number of shares				Market value as at December 31, 2009	Investment as a percentage of		
	As at July 1, 2009	Purchases during the period	Sales during the period	As at December 31, 2009		Market value of net assets	Market value of total investment	Paid up capital of investee company

(Rupees in '000)

Fully paid ordinary shares of Rs10 each

### Textile composite

Azgard Nine Limited-Non-voting 308 - - 308 - - - -

Cost of investment before fair value adjustment as at December 31, 2009 13

Impairment loss 13

## 4.1.2 Term finance certificates-listed

Name of the investee company	Number of certificates				Market value as at December 31, 2009	Investment as a percentage of		
	As at July 1, 2009	Purchases during the period	Sales during the period	As at December 31, 2009		Market Value of Net Assets	Market Value of Total Investment	Issue Size

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

Azgard Nine Limited	30,000	-	30,000	-	-	-	-	-
Bank Alfalah Limited-II	128	-	-	128	631	0.01	0.02	0.05
Engro Chemical Pakistan Limited	25,000	-	25,000	-	-	-	-	-
Escort Investment Bank Limited	10,000	-	-	10,000	41,489	0.86	1.06	10.00
Gharibwal Cement Limited (note 4.2.7)	5,000	-	-	5,000	-	-	-	6.25
Jahangir Siddiqui & Company Limited	18,000	-	-	18,000	92,896	1.93	2.38	9.00
NIB Bank Limited	37,000	-	37,000	-	-	-	-	-
Orix Leasing Pakistan Limited	50,000	-	10,000	40,000	167,236	3.47	4.28	8.00
Pace (Pakistan) Limited	30,000	-	-	30,000	146,633	3.04	3.75	10.00
Pak Arab Fertilizers Limited	45,000	-	45,000	-	-	-	-	-
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	58,966	1.22	1.51	10.00
United Bank Limited-IV	70,000	-	70,000	-	-	-	-	-
					<u>118,128</u>	<u>507,851</u>	<u>10.53</u>	<u>13.00</u>

Cost of investment before fair value adjustment as at December 31, 2009 452,943

Provision for impairment losses as at December 31, 2009 24,985

## 4.1.3 All term finance certificates have a face value of Rs5,000 each.

Note	Unaudited December 31, 2009	Audited June 30, 2009
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-----Rupees in '000-----

## 4.2 Available for sale investments

Term finance certificates-listed	4.2.1	779,604	622,193
Term finance certificates-unlisted	4.2.2	1,787,725	2,064,754
Sukuk bonds	4.2.3	833,453	1,253,833
		<u>3,400,782</u>	<u>3,940,780</u>

# NAFA CASH FUND

Name of the investee company	Number of certificates			As at December 31, 2009	Market value as at December 31, 2009	Investment as a percentage of		
	As at July 1, 2009	Purchases during the period	Sales during the period			Market value of Net Assets	Market Value of Total Investment	Issue Size
(Rupees in '000) ----- %								
<b>4.2.1</b>	<b>Term finance certificate-listed</b>							
Pakistan Mobile Communications (Private) Limited	85,000	-	-	85,000	416,181	8.63	10.65	10.00
World Telecom Limited	45,000	-	-	45,000	213,958	4.43	5.47	5.63
Allied Bank Limited	53,400	-	20,000	33,400	149,465	3.10	3.82	5.57
				<b>163,400</b>	<b>779,604</b>	<b>16.16</b>	<b>19.94</b>	
<b>4.2.2</b>	<b>Term finance certificate-unlisted</b>							
Avari Hotels International	35,040	-	-	35,040	166,077	3.44	4.25	5.57
Azgard Nine Limited	50,000	-	-	50,000	250,100	5.18	6.40	10.00
Dewan Cement Limited (note 4.2.8)	30,000	-	-	30,000	-	-	-	3.00
Engro Chemical Pakistan Limited	80,000	-	-	80,000	388,503	8.05	9.94	10.00
First Dawood Investment Bank Limited	6,900	-	-	6,900	25,875	0.54	0.66	10.00
Jahangir Siddiqui & Company Limited-V	21,000	-	-	21,000	106,872	2.21	2.73	8.40
New Allied Electronics Industries (Private) Limited (note 4.2.9)	15,000	-	-	15,000	1,181	0.02	0.03	10.00
Orix Leasing Pakistan Limited	5,000	-	600	4,400	389,400	8.07	9.96	8.80
Pak American Fertilizers Limited	30,000	-	-	30,000	148,523	3.08	3.80	10.00
Pakistan Mobile Communication (Private) Limited	66,600	-	-	66,600	311,194	6.45	7.96	9.51
				<b>338,940</b>	<b>1,787,725</b>	<b>37.04</b>	<b>45.73</b>	
<b>4.2.3</b>	<b>Sukuk bonds</b>							
BRR Guardian Modaraba	10,000	-	-	10,000	46,742	0.97	1.20	6.25
Century Paper and Board Mills Limited	33,000	-	-	33,000	160,213	3.32	4.10	4.71
Eden Builders Limited	7,956	-	-	7,956	39,613	0.82	1.01	1.99
Engro Chemical Pakistan Limited	60,000	-	56,200	3,800	17,993	0.37	0.46	0.63
Kohat Cement Company Limited (note 4.2.10)	50,000	-	-	50,000	85,478	1.77	2.19	10.00
Maple Leaf Cement Factory Limited (note 4.2.11)	80,000	-	-	80,000	340,000	7.05	8.70	5.00
New Allied Electronics Industries (Private) Limited (note 4.2.12)	9,000	-	-	9,000	11,300	0.23	0.29	6.00
Orix Leasing Pakistan Limited	10,000	-	-	10,000	41,576	0.86	1.06	9.52
Pak Elektron Limited	24,000	-	-	24,000	90,538	1.88	2.32	10.00
				<b>227,756</b>	<b>833,453</b>	<b>17.27</b>	<b>21.33</b>	
					<b>3,400,782</b>	<b>70.47</b>	<b>87.00</b>	
Cost of investment before fair value adjustment as at December 31, 2009					<b>3,793,418</b>			
Provision for impairment losses as at December 31, 2009					<b>433,958</b>			

4.2.4 All term finance certificates have a face value of Rs5,000 each.

4.2.5 Term finance certificates are valued as per the requirements of SECPCircular No.01 of 2009 dated January 06, 2009.

4.2.6 During the period from July 01, 2008 to December 31, 2009, the Fund did not receive redemption of principal and/or profit amounts on some of its investments, the details of which are explained in notes 4.2.7 to 4.2.12 of these condensed interim financial statements.

4.2.7 This represents investment in privately placed term finance certificates. On July 18, 2009, the scheduled redemption date, principal redemption of Rs5 thousand and profit redemption of Rs2.291 million were not received by the Fund. The management has recognised an impairment loss of Rs24.985 million during the period ended December 31, 2009. The minimum amount of provision required as per SECPCircular no.01 of 2009 amounts to Rs6.746 million. However as a matter of prudence, the management has recognised an additional amount of provision of Rs18.239 million based on the provisioning policy approved by the Board of Directors. The income suspended on these term finance certificates amounted to Rs3.997 million.



# NAFA CASH FUND

- 4.2.8** The Fund had advanced an amount of Rs150 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. The management has recognised an impairment loss amounting to Rs150 million till December 31, 2009. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs133.333 million. However as a matter of prudence, the management has recognised an additional amount of provision of Rs16.667 million based on the provisioning policy approved by the Board of Directors. The income suspended on these term finance certificates amounted to Rs43.968 million.
- 4.2.9** This represents investment in privately placed term finance certificates. On November 15, 2008, the scheduled redemption date, principal redemption of Rs6.250 million and profit redemption of Rs2.774 million were not received by the Fund. The management has recognised an impairment loss of Rs34.236 million till December 31, 2009. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs26.287 million. However as a matter of prudence, the management has recognised an additional amount of provision of Rs7.949 million based on the provisioning policy approved by the Board of Directors. The income suspended on these term finance certificates amounted to Rs10.029 million.
- 4.2.10** This represents investment in privately placed sukuk bonds issue with a term of five years. On December 20, 2008, the scheduled redemption date, principal redemption of Rs17 million and profit redemption of Rs18.126 million were not received by the Fund. The management has recognised an impairment loss amounting to Rs156.022 million till December 31, 2009. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs150.637 million. However as a matter of prudence, the management has recognised an additional amount of provision of Rs5.385 million based on the provisioning policy approved by the Board of Directors. The income suspended on these term finance certificates amounted to Rs18.938 million.
- 4.2.11** This represents investment in privately placed sukuk bonds issue with a term of six years. On December 03, 2009, the scheduled redemption date, profit redemption of Rs30.965 million were not received by the Fund. The management has recognised an impairment loss amounting to Rs60.00 million till December 31, 2009. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs12.444 million. However as a matter of prudence, the management has recognised an additional amount of provision of Rs47.556 million based on the provisioning policy approved by the Board of Directors. The income suspended on these term finance certificates amounted to Rs35.446 million.
- 4.2.12** This represents investment in privately placed sukuk bond on December 03, 2008 i.e. the scheduled redemption date, profit redemption of Rs3.415 million was not received by the Fund. The management has recognised an impairment loss amounting to Rs33.70 million till December 31, 2009. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs29.800 million. However as a matter of prudence, the management has recognised an additional amount of provision of Rs3.900 million based on the provisioning policy approved by the Board of Directors. The income suspended on these term finance certificates amounted to Rs8.969 million.

	<b>Unaudited December 31, 2009</b>	<b>Audited June 30, 2009</b>
	-----Rupees in '000-----	
<b>5 PROFIT RECEIVABLE</b>		
Profit receivable on savings and term deposits	34,403	154,104
Income accrued on term finance certificates and sukuk bonds	252,069	228,702
Less: Suspended income	(121,347)	-
	<u>130,722</u>	<u>-</u>
	<u>165,125</u>	<u>382,806</u>
<b>6 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration payable	260	290
Settlement charges payable	9	474
Brokerage expense payable	562	529
Printing charges payable	177	552
Others	1,331	659
	<u>2,339</u>	<u>2,504</u>

# NAFA CASH FUND

## 7 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. The Fund intends to distribute such accounting income, if any, for the year ending June 30, 2010 to its unit holders. Accordingly, no tax liability has been recorded in the current period.

## 8 CONTINGENCIES AND COMMITMENTS

8.1 The Finance Act 2008 introduced an amendment to the Workers Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby the definition of "Industrial Establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it can be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year are brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2 percent of their accounting or taxable income, whichever is higher. In case of the Fund, such contribution works out to Rs 5.807 million approximately as at December 31, 2009 (including Rs 2.762 million for the year ended June 30, 2009). However, the final contribution amount for the current year will be based on the income earned by the Fund for the year ending June 30, 2010.

To avoid any claim in this regard by the relevant authorities, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the High Court of Sindh praying it to declare that CIS are not liable to pay contribution to the WWF on the ground that CIS do not have any workers or employees. The legal proceedings in respect of the aforementioned petition are recurrently in progress and the outcome cannot be reasonably ascertained.

The Management Company, based on the advice of the MUFAP's legal counsel is confident of a favorable decision and accordingly no provision for any liability that may arise in this respect has been made in these condensed interim financial statements.

8.2 There are no other contingencies and commitments outstanding as at December 31, 2009 and June 30, 2009.

## 9 EARNINGS/(LOSS) PER UNIT

Earnings per unit (EPU) for the six months ended December 31, 2009 has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

## 10 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include National Fullerton Asset Management Limited being the Management Company and National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Employees Provident Fund Trust and other collective investment schemes being managed by the Management Company, the Trustees and the directors and officers of the Management Company.

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

10.1 Transactions during the period	Unaudited			
	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
-----Rupees in '000-----				
<b>National Fullerton Asset Management Limited-Management Company</b>				
Remuneration expense for the period	51,672	138,910	22,405	53,135
<b>National Bank of Pakistan-Sponsor</b>				
Units issued/transferred in (Nil units; 2008: 48,214,148 units)	-	500,000	-	500,000
Units redeemed/transferred out (Nil units; 2008: 48,214,148 units)	-	486,910	-	486,910
Cash dividend	1,433	17,418	713	14,768
Borrowing charges	-	24,269	-	24,269
<b>NIB Bank Limited-Sponsor</b>				
Cash dividend	-	20,418	-	5,700
Income from bank deposits	17,039	17,330	9,255	6,186
Borrowing charges	-	9,056	-	9,056

# NAFA CASH FUND

	Unaudited			
	Halfyear ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
	-----Rupees in '000-----			
<b>Alexandra Fund Management Pte. Limited-Sponsor</b>				
Bonus units issued (282,201 units; 2008: 1,192,475 units)	-	-	-	-
Units redeemed/transferred out (3,917,459 units; 2008: Nil units)	40,000	-	40,000	-
<b>NAFA Multi Asset Fund</b>				
Bonus units issued (Nil units; 2008: 1,962,029 units)	-	-	-	-
Units issued/transferred in (Nil units; 2008: 20,752,095 units)	-	215,000	-	215,000
Units redeemed/transferred out (Nil units; 2008: 30,758,547 units)	-	302,480	-	100,000
Sale of term finance certificates	56,595	-	56,595	-
<b>NAFA Islamic Income Fund</b>				
Payment for purchase of sukuk bonds	-	25,881	-	25,881
<b>NAFA Employees Provident Fund Trust</b>				
Bonus units issued (10,585 units; 2008: 43,697 units)	-	-	-	-
<b>Chief Executive Officer</b>				
Bonus units issued (Nil units; 2008: 232,417 units)	-	-	-	-
Units redeemed/transferred out (Nil units; 2008: 3,403,635 units)	-	34,524	-	-
<b>Spouse of Chief Executive Officer</b>				
Bonus units issued (406 units; 2008: 1,928 units)	-	-	-	-
Units redeemed/transferred out (20,486 units; 2008: 546 units)	206	6	-	-
<b>Other Executives of the Management Company</b>				
Bonus units issued (17,539 units; 2008: 49,036 units)	-	-	-	-
Units issued/transferred in (1,654,233 units; 2008: 2,536,739 units)	16,676	25,705	9,315	13,972
Units redeemed/transferred out (1,919,460 units; 2008: 2,993,377 units)	19,373	30,375	11,193	18,701
<b>NAFA Stock Fund</b>				
Bonus units issued (Nil units; 2008: 375,925 units)	-	-	-	-
Units issued/transferred in (Nil units; 2008: 7,239,103 units)	-	75,000	-	75,000
Units redeemed/transferred out (Nil units; 2008: 9,812,909 units)	-	95,223	-	95,223
<b>NAFA Income Fund</b>				
Bonus units issued (Nil units; 2008: 245,244 units)	-	-	-	-
Units issued/transferred in (Nil units; 2008: 13,615,161 units)	-	140,000	-	140,000
Units redeemed/transferred out (Nil units; 2008: 8,362,294 units)	-	80,000	-	80,000
<b>NAFA Islamic Multi Asset Fund</b>				
Payment for purchase of sukuk bonds	-	25,892	-	25,892
<b>Central Depository Company of Pakistan Limited</b>				
Bonus units issued (Nil units; 2008: 795,494 units)	-	-	-	-
Units redeemed/transferred out (Nil units; 2008: 8,998,612 units)	-	91,571	-	91,571
Remuneration expense for the period	3,949	9,765	1,746	3,795

# NAFA CASH FUND

10.2 Balances outstanding as at period/year end	Unaudited December 31, 2009	Audited June 30, 2009
	-----Rupees in '000-----	
<b>National Fullerton Asset Management Limited-Management Company</b>		
Remuneration payable to management company	6,477	12,211
Other receivable from management company	549	509
<b>National Bank of Pakistan-Sponsor</b>		
Investment held by the Sponsor in the Fund (3,601,691 units; June 30, 2009: 3,601,691 units)	36,618	36,362
Deposit held by the Fund	12,729	94
<b>NIB Bank Limited-Sponsor</b>		
Deposit held by the Fund	8,407	303,323
Profit receivable on bank deposits	22	98
Investment in term finance certificates	-	170,946
Profit receivable on term finance certificates	-	8,184
<b>Alexandra Fund Management Pte. Limited-Sponsor</b>		
Investment held by the Sponsor in the Fund (5,276,114 units; June 30, 2009: 8,911,372 units)	53,641	89,968
<b>NAFA Employees Provident Fund Trust</b>		
Investment held in the Fund Trust (272,959 units; June 30, 2009: 262,374 units)	2,775	2,649
<b>Spouse of Chief Executive Officer</b>		
Investment held in the Fund (Nil units; June 30, 2009: 20,080 units)	-	203
<b>Other Executives of the Management Company</b>		
Investment held in the Fund (139,978 units; June 30, 2009: 445,667 units)	1,424	4,499
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable	517	744
Security deposit	100	100
<b>NAFA Government Securities Liquid Fund</b>		
Payable on account of units transferred	33,084	-

## 11 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on February 17, 2010 by the board of directors of the management company.

## 12 GENERAL

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

12.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. There were no significant rearrangements or reclassification except as required because of the change in accounting policy as more fully explained in note 3.1 to these condensed interim financial statements.

12.3 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the period as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

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

Chief Executive

Chairman