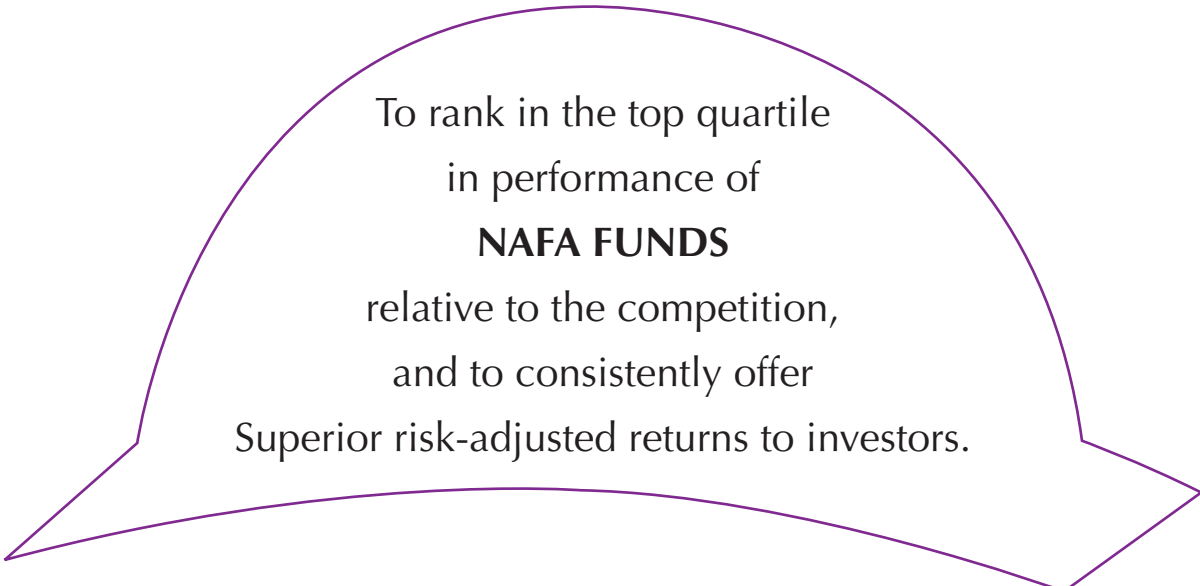


MISSION STATEMENT



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 ISLAMIC MULTI ASSET FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource Committee

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

Trustee

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

Bankers to the Fund

Al-Baraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Burj Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
Bank Al-Habib Limited
The Bank of Khyber.

NAFA ISLAMIC MULTI ASSET FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town Lahore.
Contact: 042-35914272

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA ISLAMIC MULTI ASSET FUND

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NAFA ISLAMIC MULTI ASSET FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Sixth Annual Report of **NAFA Islamic Multi Asset Fund (NIMF)** for the year ended June 30, 2013.

Fund's Performance

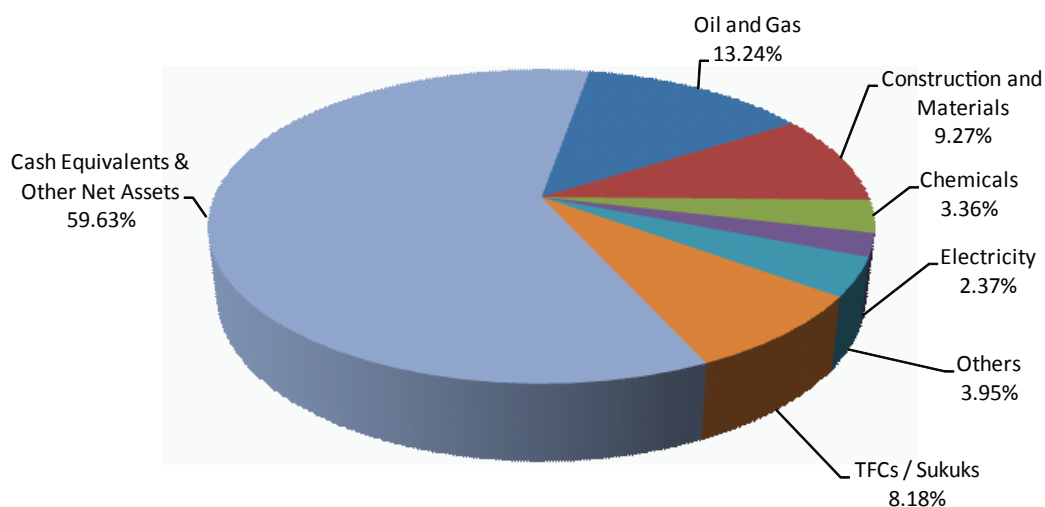
During FY2012-13, the stock market (KMI-30 Index) soared by 54.4%. The positive trend in the market resulted from the combined effect of declining inflation and pursuant reduction in interest rates, improved trading activity and healthy foreign flows. Furthermore, investor confidence was boosted by first democratic transition of power in the history of Pakistan, and improved profitability outlook of the key sectors of the market.

With letup in inflationary pressures and manageable external account position, SBP slashed the Policy Rate during FY13 by 300 bps to 9%. On the corporate debt sphere, yields on the corporate sukuk in the secondary market squeezed due to the price appreciation on the back of decline in interest rates, higher risk appetite of the investors, and limited primary issuance. All corporate sukuk in the Fund are floating rate linked to KIBOR.

During the fiscal year, the return on NAFA Islamic Multi Asset Fund was 36.31% as against its benchmark (50% KMI-30 Index, 50% 3-Month Profit Rate of Islamic Banks) return of 28.44%. Thus an out-performance of 7.87% was witnessed during the year. NIMF out-performed on the back of timely asset allocation. Further, the Fund was under-weight in key stocks in Chemicals sector that lagged the market, thereby contributing to the out-performance.

NAFA Islamic Multi Asset Fund has earned total income of Rs.130.02 million during the year. After deducting total expenses of Rs.24.95 million, the net income is Rs.105.07 million.

The asset allocation of NAFA Islamic Multi Asset Fund as on June 30, 2013 is as follows:



NAFA ISLAMIC MULTI ASSET FUND

Income Distribution

In addition to interim distribution of 4% of opening ex-NAV (4.124% of the par value), the Board of Directors of the Management Company has also approved a final distribution of 16.75%, translating into total distribution of 20.75% of opening ex-NAV (21.393% of the par value). After final distribution, the net asset value per unit will be Rs.11.8612 on June 30, 2013.

Taxation

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

Auditors

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

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the current financial year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.

NAFA ISLAMIC MULTI ASSET FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: August 27, 2013
Place: Karachi.

NAFA ISLAMIC MULTI ASSET FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC MULTI ASSET FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Multi Asset Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi: September 18, 2013

NAFA ISLAMIC MULTI ASSET FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA ISLAMIC MULTI ASSET FUND FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

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

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

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

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable). However, the requirement of serving as a director of seven listed companies is applicable from the date of next election of directors.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies were occurred on the board on February 26, 2013 and on May 20, 2013 during the year which were filled up by the directors on April 11, 2013 and May 20, 2013 respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

NAFA ISLAMIC MULTI ASSET FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities and requirements of CCG, the code requires company to conduct formal orientation for directors. Up to 30 June 2013, one of the directors has obtained the director's training program offered by Pakistan Institute of Corporate Governance. The Company has started the process for training of other directors and it is expected that some of other directors may also obtain certification of the director's training program in upcoming year. However, the directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 20 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is a non-independent director.
18. The Board has set up an effective internal audit function.

NAFA ISLAMIC MULTI ASSET 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. There was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with.

For and behalf of the board

Karachi
August 27, 2013

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC MULTI ASSET FUND

FUND MANAGER REPORT

NAFA Islamic Multi Asset Fund

NAFA Islamic Multi Asset Fund (NIMF) is an open-ended Shariah Compliant balanced fund

Investment Objective of the Fund

Objective of NIMF is to provide investors with a combination of capital growth and income by investing in a variety of asset classes such as Shariah Compliant stocks, bonds, money market instruments etc. The risk profile of the fund is moderate.

Benchmark

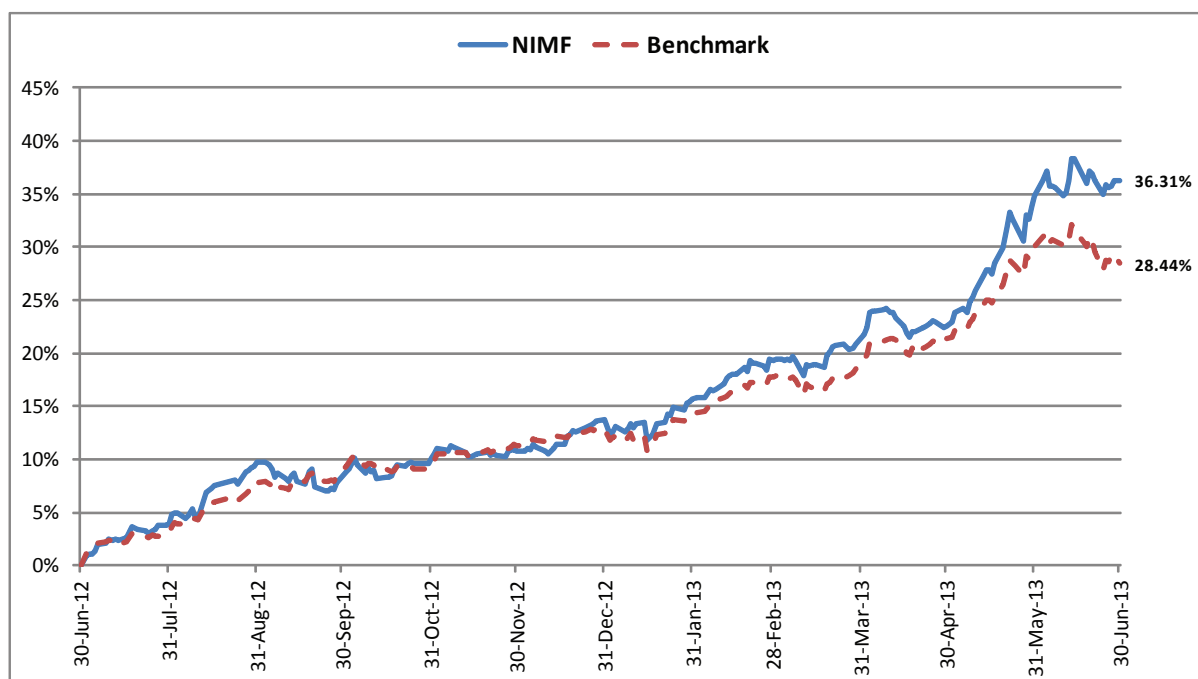
The Benchmark of the Fund is 50% average 3-month profit rate of Islamic Banks Deposits and 50% KMI-30 Index.

Fund performance review

During FY13, Net Asset Value (NAV) of NIMF increased by 36.31%, whereas the benchmark increased by 28.44%, thus an outperformance of 7.87% was recorded. This outperformance is net of management fee and all other expenses. Thus, NIMF has met its investment objective.

NIMF out-performed during the year on the back of timely asset allocation and better than market performance of its key holdings in the Oil & Gas, Construction & Materials, and Banking sectors. Further, the Fund was under-weight in key stocks in Chemicals sector that lagged the market, thereby contributing to the outperformance. In line with its strategy, the Fund is invested in high dividend yielding and defensive stocks.

NIMF Performance vs. Benchmark during FY13



NAFA ISLAMIC MULTI ASSET FUND

NIMF was around 50% invested in equities at the beginning of the year. During the year, we adjusted the allocation of the Fund based on our view on different asset classes. Towards the end of the year, allocation in equities was reduced to around 32%.

Key factors responsible for the upbeat performance of the stock market during the year include: (i) 360bps decline in inflation to 7.4% and 300bps cut in discount rate to 9.0%; (ii) first democratic transition of power in the history of Pakistan; (iii) increased foreign participation with net foreign inflow of USD553mn and;(iv) improved profitability outlook of the key sectors of the market.

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

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-13	30-Jun-12
Equities / Stocks	32.19%	50.00%
Sukuk	8.18%	24.66%
Cash Equivalents	59.57%	29.02%
Other Net (Liabilities) / Assets	0.06%	-3.68%
Total	100.00%	100.00%

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets	Yield to Maturity per annum
Kohat Cement Limited (Sukuk)*	SUKUK	7,578,781	-	5,684,086	1.31%	1.29%	7.67%
Eden Housing (Sukuk II)	SUKUK	7,968,750	2,777,994	5,190,756	1.20%	1.18%	70.22%
Maple Leaf Cement (Sukuk I)	SUKUK	44,893,750	26,936,250	17,957,500	4.15%	4.07%	38.82%
Pak Elektron Limited (Sukuk)	SUKUK	21,428,571	16,071,428	5,357,143	1.24%	1.22%	291.37%
Total		81,869,852	45,785,672	34,189,485	7.90%	7.75%	

* Performing but below rated

Distribution for the Financial Year 2013

Interim Period / Quarter	Dividend as a % of Par Value	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Half year ended Dec-2012	2.062	12.2426	12.0364
Qtr ended March-2013	2.062	12.4748	12.2686
Final Dist Year ended June-13	17.269	13.5881	11.8612

NAFA ISLAMIC MULTI ASSET FUND

Unit Holding Pattern of NAFA ISLAMIC MULTI ASSET FUND as on June 30, 2013

Size of Unit Holding (Units)	# of Unit Holders
1-1000	32
1001-5000	126
5001-10000	71
10001-50000	119
50001-100000	33
100001-500000	18
500001-1000000	1
1000001-5000000	1
5000001-10000000	2
10000001-100000000	0
	403

During the period under question:

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

Workers' Welfare Fund (WWF)

The scheme has maintained provision against Workers' Welfare Fund's liability to the tune of Rs4,808,897/- If the same were not made the NAV per unit/return of scheme for the year ended June 30, 2013 would have been higher by Rs.0.1509 /1.72%. For details investors are advised to read the Note 16 of the Financial Statements of the Scheme for the year ended June 30, 2013.

NAFA ISLAMIC MULTI ASSET FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Multi Asset Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2013. This has been duly confirmed by the Shariah Advisor of the Fund.

Dated : August 27, 2013
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC MULTI ASSET FUND

Report of the *Shariah Advisor* –NAFA Islamic Multi Asset Fund

September 17, 2013/Dhul-Qa'dah 09, 1434 A.H

Alhamdulillah, the period from July 1, 2012 to June 30, 2013 was the sixth year of operations of NAFA Islamic Multi Asset Fund (NIMF). This report is being issued in accordance with clause 5.D.3 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

We have prescribed five criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance in line with the Shari'ah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of equity investments of NIMF in light of Shari'ah requirements. Following is a list of top investments of NIMF as on June 30, 2013 and their evaluation according to the screening criteria established by us. (December 31, 2012 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non-Shari'ah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
DG Khan Cement	Construction and Material	23.93%	28.79%	4.16%	67%	(12.40)	54.58
Nishat Mills Ltd	Personal Goods	32.33%	20.82%	2.10%	63%	(7.25)	63.85
Sitara Chemical Industries Ltd	Chemicals	25.12%	0.29%	0.15%	78%	(203.04)	179
Kohat Cement Limited	Construction and Material	13.20%	0.43%	0.02%	91%	(32.07)	70.63
Cherat Cement Company Ltd	Construction and Material	17.84%	3.01%	0.06%	94%	(15.11)	48.75

NAFA ISLAMIC MULTI ASSET FUND

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non-Shari'ah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Hub Power Company Limited	Electricity	33.17%	0.00%	0.00%	36.66%	(30.89)	45.24
Thal Limited	General Industries	0.06%	6.59%	1.07%	76%	26.23	106.87
Pakistan Oilfields Limited	Oil & Gas	0.00%	0.12%	3.74%	72.44%	(45.41)	437.54
Pakistan Petroleum Limited	Oil & Gas	0.12%	32%	4.88%	34.85%	45.09	176.79
Pakistan State Oil Company Limited	Oil & Gas	15.92%	0.00%	0.41%	39.86%	(294.79)	232.21
Lucky Cement	Construction and Material	6.51%	0.00%	0.00%	93%	(26.30)	151.54
Meezan Bank Limited	Bank	**					

* All interest based debts

** These ratios are for the calculation of non-Shari'ah Compliant element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

- ii. On the basis of information provided by the management, the provisions of the Scheme and investments in equities made on account of NIMF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NIMF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIMF for the period ended June 30, 2013 are not in compliance with the Shari'ah principles.

During the period a provision of PKR 232,620 was created, out of which PKR 22,453.62 were adjusted on the basis of the annual financial statements, and therefore the same are to be disbursed into Charity. However, the rest of the provisional amount will be adjusted after the availability of their respective annual financial statements.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and on behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Bilal Ahmed Qazi
Shari'ah Advisor

NAFA ISLAMIC MULTI ASSET FUND

Independent Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of NBP Fullerton Asset Management Limited, Management Company of **NAFA Islamic Multi Asset Fund** (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2013 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 5.D.3 of the Trust Deed of the Fund.

Management Company's Responsibilities

The management company of the Fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.
2. Check that the Shariah Advisor has certified that investments made by the Fund during the year ended 30 June 2013 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended 30 June 2013.

Date: 27 August 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

NAFA ISLAMIC MULTI ASSET FUND

Review Report to the Unit Holders of NAFA Islamic Multi Asset Fund (“the Fund”) on Statement of Compliance with Best Practices of Code of Corporate Governance

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

Date: 27 August 2013
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

NAFA ISLAMIC MULTI ASSET FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS *Report on the Financial Statements*

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

Date: August 27, 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

NAFA ISLAMIC MULTI ASSET FUND

Statement of Assets and Liabilities As at 30 June 2013

	Note	2013 (Rupees in '000)	2012
ASSETS			
Balances with banks	4	257,924	77,824
Investments	5	174,802	200,244
Dividend and profit receivable	6	5,546	6,071
Deposits and advance	7	2,632	2,632
Preliminary expenses and floatation costs	8	-	160
Total assets		<u>440,904</u>	<u>286,931</u>
LIABILITIES			
Payable to the NBP Fullerton Asset Management Limited - Management Company	9	1,231	1,030
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	126	117
Payable to the Securities and Exchange Commission of Pakistan	11	287	221
Payable against purchase of investments		-	13,562
Accrued expenses and other liabilities	12	6,258	3,810
Total liabilities		<u>7,902</u>	<u>18,740</u>
NET ASSETS		<u>433,002</u>	<u>268,191</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>433,002</u>	<u>268,191</u>
CONTINGENCY AND COMMITMENT	13		
		(Number of units)	
Number of units in issue	14	<u>31,866,154</u>	<u>26,013,069</u>
		(Rupees)	
NET ASSETS VALUE PER UNIT		<u>13.5881</u>	<u>10.3099</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC MULTI ASSET FUND

Income Statement For the year ended 30 June 2013

	Note	2013 (Rupees in '000)	2012
INCOME			
Capital gain on sale of investments - net		63,192	8,920
Income from sukuk bonds		13,752	11,084
Profit on saving accounts		6,650	1,926
Dividend income		15,973	10,463
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net	5.3	30,454	9,568
		<u>130,021</u>	<u>41,961</u>
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	7,712	7,814
Sindh sales tax on remuneration of Management Company	9.2	1,234	1,250
Federal excise duty on remuneration of Management Company	9.3	70	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	732	700
Annual fee to Securities and Exchange Commission of Pakistan		287	221
Amortisation of preliminary expenses and floatation costs	8	160	500
Brokerage and other expenses		1,041	820
Settlement and bank charges		535	228
Annual listing fee		30	30
Auditors' remuneration	15	401	359
Provision against non-performing sukuks classified as available for sale		10,202	28,269
Fund rating fee		121	110
Legal and professional charges		40	40
Charity		232	212
Printing expense		11	-
		<u>22,808</u>	<u>40,553</u>
Net income from operating activities		<u>107,213</u>	<u>1,408</u>
Provision for workers' welfare fund	16	(2,144)	(28)
Net income before taxation		<u>105,069</u>	<u>1,380</u>
Taxation	17	-	-
Net income for the year		<u>105,069</u>	<u>1,380</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC MULTI ASSET FUND

Statement of Comprehensive Income For the year ended 30 June 2013

	Note	2013 (Rupees in '000)	2012
Net income for the year		105,069	1,380
Other comprehensive income for the year			
Items to be reclassified to income statement in subsequent periods:			
Unrealised appreciation on re-measurement of investments classified as available for sale - net	5.4	2,103	4,287
Reversal of diminution in the value of investments pertaining to non-performing investments		-	26,635
Total comprehensive income for the year		<u>107,172</u>	<u>32,302</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC MULTI ASSET FUND

Distribution Statement For the year ended 30 June 2013

	2013	2012
	(Rupees in '000)	
Undistributed income brought forward		
- Realised income	3,099	58,086
- Unrealised income	12,221	2,268
	<u>15,320</u>	<u>60,354</u>
Net income for the year	105,069	1,380
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	9,703	(932)
Distributions:		
Final distribution for the year ended 30 June 2012: Nil (2011: 17.0330% declared on 4 July 2011)		
- Bonus units	-	(32,463)
- Cash distribution	-	(13,019)
Interim distribution for the six months period ended 31 December 2012: 2.062% (Date of declaration: 26 February 2013) (2011: Nil)		
- Bonus units	(4,398)	-
- Cash distribution	(1,580)	-
Interim distribution for the three months period ended 31 March 2013: 2.062% (Date of declaration: 26 April 2013) (2012: Nil)		
- Bonus units	(4,864)	-
- Cash distribution	(1,568)	-
Total Distributions	<u>(12,410)</u>	<u>(45,482)</u>
Undistributed income carried forward	<u>117,682</u>	<u>15,320</u>
Undistributed income comprising:		
- Realised income	95,327	3,099
- Unrealised income	22,355	12,221
	<u>117,682</u>	<u>15,320</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC MULTI ASSET FUND

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

	2013	2012
	(Rupees in '000)	
Net assets at the beginning of the year	268,191	288,582
Issue of 10,814,562 units (2012: 2,474,257 units)	131,565	23,971
Issue of bonus units 761,750 (2012: 3,565,886 units)	9,261	32,463
Redemption of 5,723,227 units (2012: 6,729,802 units)	(70,777)	(63,645)
	70,049	(7,211)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	(9,703)	932
Unrealised appreciation on re-measurement of investments classified as available for sale - net	2,103	4,287
Reversal of diminution in the value of investments pertaining to non-performing investments	-	26,635
Capital gain on sale of investments - net	63,192	8,920
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net	30,454	9,568
Other net income / (loss) for the year	11,423	(17,108)
	105,069	1,380
Distributions:		
Final distribution for the year ended 30 June 2012: Nil (2011: 17.0330% declared on 4 July 2011)		
- Bonus units	-	(32,463)
- Cash distribution	-	(13,019)
Interim distribution for the six months period ended 31 December 2012: 2.062% (Date of declaration: 26 February 2013) (2011: Nil)		
- Bonus units	(4,398)	-
- Cash distribution	(1,580)	-
Interim distribution for the three months period ended 31 March 2013: 2.062% (Date of declaration: 26 April 2013) (2012: Nil)		
- Bonus units	(4,864)	-
- Cash distribution	(1,568)	-
Total Distributions	(12,410)	(45,482)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	9,703	(932)
Net assets as at the end of the year	433,002	268,191
	(Rupees)	
Net assets value per unit at beginning of the year	10.3099	10.8072
Net assets value per unit at end of the year	13.5881	10.3099

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC MULTI ASSET FUND

Cash Flow Statement For the year ended 30 June 2013

	Note	2013 (Rupees in '000)	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		105,069	1,380
Adjustments			
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net		(30,454)	(9,568)
Provision against non-performing sukuks classified as available for sale		10,202	28,269
Amortisation of preliminary expenses and floatation costs		160	500
		<u>84,977</u>	<u>20,581</u>
Decrease in assets			
Receivable against sale of investments		-	2,945
Investments		47,796	57,103
Dividend and profit receivable		525	4,123
Deposits and advance		-	21
Decrease in assets		<u>48,321</u>	<u>64,192</u>
Increase / (decrease) in liabilities			
Payable to the NBP Fullerton Asset Management Limited - Management Company		201	162
Payable to the Central Depository Company of Pakistan Limited - Trustee		9	5
Payable to Securities and Exchange Commission of Pakistan		66	(35)
Payable against purchase of investments		(13,562)	10,617
Accrued expenses and other liabilities		2,448	229
Net (decrease) / increase in liabilities		<u>(10,838)</u>	<u>10,978</u>
Net cash flows from operating activities		<u>122,460</u>	<u>95,751</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issuance of units		131,565	23,971
Payments against redemption of units		(70,777)	(63,645)
Dividend paid		(3,148)	(13,019)
Net cash flows from / (used in) financing activities		<u>57,640</u>	<u>(52,693)</u>
Net increase in cash and cash equivalents		<u>180,100</u>	<u>43,058</u>
Cash and cash equivalents at beginning of the year		77,824	34,766
Cash and cash equivalents at end of the year	4	<u><u>257,924</u></u>	<u><u>77,824</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC MULTI ASSET FUND

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

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Multi Asset Fund ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company was situated at 9th Floor, Adamjee House, I.I.Chundrigar Road, Karachi. From 4 February 2013, the principal office of the Management Company is shifted to 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

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

The Board of Directors have approved that the Fund should be categorized as "Shariah Compliant (Islamic) Scheme" and "Balanced Fund" as per the categories defined by the Securities and Exchange Commission of Pakistan.

The core objective of the Fund is to provide preservation of capital and earn a reasonable rate of return. The principal activity of the Fund is to make investments in Shariah compliant securities, instruments and avenues such as equities, musharikhah, murabahah, ijarah, etc. having a good credit rating and liquidity subject to the guidelines prescribed by SECP.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2 to the Management Company. Based on the performance of the Fund, rating issued on 04 November 2011, it has assigned performance ranking of Four Star to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment thereagainst (note 3.1.1 and 3.1.5).

NAFA ISLAMIC MULTI ASSET FUND

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

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

- IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
- IAS 12 - Deferred tax on investment property (Amendment)

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

2.6 Standards, Interpretations and Amendments not yet effective

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

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off; and that some gross settlement systems may be considered equivalent to net settlement. The amendment is not likely to have significant impact on financial statements of the Fund
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment is not likely to have significant impact on financial statements of the Fund.

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

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

NAFA ISLAMIC MULTI ASSET FUND

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets

3.1.1 Classification

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

a) Loans and receivables

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

b) Financial assets 'at fair value through profit or loss'

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

c) Held to maturity

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

d) Available for sale

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

3.1.2 Regular way contracts

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

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3.1.3 Initial recognition and measurement

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

3.1.4 Subsequent measurement

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

a) Basis of valuation of debt securities

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

b) Basis of valuation of equity securities

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

c) Basis of valuation of Government Securities

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

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

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

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

3.1.5 Impairment of financial assets

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

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

3.1.6 Derecognition

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

3.2 Financial liabilities

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

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

3.3 Offsetting of financial assets and liabilities

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

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3.4 Derivative Financial Instruments

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

3.5 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 and the NBFC Regulations.

3.6 Provision

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

3.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. The Fund is exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

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

3.8 Proposed distribution

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders.

3.9 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. The sales load is payable to the Management Company, Investment facilitators or distributors. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours on 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.

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

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

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

NAFA ISLAMIC MULTI ASSET FUND

3.11 Earnings per unit

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

3.12 Net Assets Value Per Unit

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

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of investments classified as ' Available for sale investments ' are included in the Other Comprehensive Income in the period in which they arise.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend
- Profit on bank deposits, investments in debt securities and income from government securities is recognised using the effective interest method.

3.14 Cash and cash equivalents

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

3.15 Foreign currency translation

Transactions in foreign currencies are translated into Rupees at rates of exchange on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange ruling on the balance sheet date. All other exchange differences are charged to income statement.

	Note	2013	2012
(Rupees in '000)			
4 BALANCES WITH BANKS			
Current accounts	4.1	19,529	17,007
Savings accounts		238,395	60,817
		<u>257,924</u>	<u>77,824</u>

4.1 These accounts carry profit at rates ranging from 6% to 11% (2012: 5% to 11%) per annum.

	Note	2013	2012
(Rupees in '000)			
5 INVESTMENTS			
At fair value through profit or loss - held for trading			
Investment in shares of listed companies	5.1	139,368	134,096
Available for sale			
Sukuk bonds	5.2	35,434	66,148
		<u>174,802</u>	<u>200,244</u>

NAFA ISLAMIC MULTI ASSET FUND

5.1 Investment in shares of listed companies at fair value through profit or loss

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2013	Market value at June 30, 2013	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid-up capital of the investee company held
	----- Number of shares -----					Rupees in '000	----- % -----		
Oil and Gas									
Attock Petroleum Limited	50	-	-	50	-	-	-	-	-
Oil and Gas Development Company Limited	200	210,740	-	210,900	40	9	0.0%	1.00%	0.004%
Pakistan Oil Fields Limited	45,060	121,600	-	159,700	6,960	3,462	0.8%	1.98%	0.003%
Pakistan Petroleum Limited	80,857	436,300	27,364	510,621	33,900	7,173	1.7%	4.10%	0.002%
Pakistan State Oil Company Limited	-	187,600	14,460	56,400	145,660	46,666	10.8%	26.70%	6.00%
					<u>186,560</u>	<u>57,310</u>			
Chemicals									
Fauji Fertilizer Company Limited - related party	99,068	442,800	-	541,800	68	7	0.0%	0.00%	-
Sitara Chemical Industries Limited	76,175	-	-	3,400	72,775	14,547	3.4%	8.32%	0.34%
Engro Corporation Limited	-	35,000	-	35,000	-	-	-	-	-
					<u>72,843</u>	<u>14,554</u>			
Construction and Materials									
Attock Cement Pakistan Limited	34,936	-	5,240	33,000	7,176	947	0.2%	0.54%	0.01%
D.G. Khan Cement Company Limited	196,300	829,200	-	982,000	43,500	3,640	0.8%	2.08%	0.01%
Lucky Cement Company Limited	187,900	244,800	-	400,800	31,900	6,690	1.5%	3.83%	0.01%
Cherat Cement Company Limited	-	440,000	-	145,000	295,000	17,166	4.0%	9.82%	0.46%
Kohat Cement Limited	-	272,000	-	135,500	136,500	11,716	2.7%	6.70%	0.21%
					<u>514,076</u>	<u>40,159</u>			
General Industrials									
Ghani Glass Limited	114,280	-	11,428	125,708	-	-	-	-	-
Thal Limited	16,815	6,000	1,682	-	24,497	3,123	0.7%	1.79%	0.03%
					<u>24,497</u>	<u>3,123</u>			
Industrial Engineering									
Al-Ghazi Tractors Limited	16,088	20,287	-	36,375	-	-	-	-	-
Millat Tractors Limited	39	-	-	39	-	-	-	-	-
					<u>-</u>	<u>-</u>			
Food Producers									
Unilever Pakistan Limited	989	-	-	989	-	-	-	-	-
					<u>-</u>	<u>-</u>			
Personal Goods									
Nishat Mills Limited	-	183,000	-	131,000	52,000	4,899	1.1%	2.80%	0.01%
					<u>52,000</u>	<u>4,899</u>			
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	3,000	848,500	-	851,500	-	-	-	-	-
					<u>-</u>	<u>-</u>			
Electricity									
Hub Power Company Limited- related party	567,760	1,125,500	-	1,526,500	166,760	10,281	2.4%	5.88%	1%
					<u>166,760</u>	<u>10,281</u>			
Banks									
Meezan Bank Limited	303,408	-	33,375	25,000	311,783	9,042	2.1%	5.17%	0.3%
Bank Islami Pakistan Limited	200	-	-	200	-	-	-	-	-
					<u>311,783</u>	<u>9,042</u>			
					<u>1,328,519</u>	<u>139,368</u>			
Carrying value as at 30 June 2013						<u>108,914</u>			

5.1.1 All shares have a nominal face value of Rs 10 each except for the shares of Thal Limited and Al-Ghazi Tractors Limited which have a face value of Rs.5 each and Unilever Pakistan Limited which has a face value of Rs.50 each.

5.1.2 The above investments include securities with market value aggregating to Rs.39.170 million (2012: 41.944 million) which 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 23 October 2007 issued by SECP.

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5.2 Sukuk bonds - available for sale

Name of the investee company	Number of bonds				Market value / carrying value as at 30 June 2013 (Refer note 5.4)	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of issue size of sukuk held
	As at July 1, 2012	Purchases during the year	Sales / Matured during the year	As at June 30, 2013				
(Rupees in '000)								
Eden Housing Limited (Note 5.2.3.1)	5,000	-	-	5,000	5,191	1.20%	2.97%	3.42%
Eden Builders Limited	1,325	-	-	1,325	1,245	0.29%	0.71%	0.33%
Kohat Cement Company Limited	10,000	-	-	10,000	5,684	1.31%	3.25%	2.00%
Maple Leaf Cement Factory Limited (1st Issue) (Note 5.2.3.2)	10,000	-	-	10,000	17,957	4.15%	10.27%	0.63%
Maple Leaf Cement Factory Limited (2nd issue) (Note 5.2.3.2)	375	-	375	-	-	-	-	-
Pakistan Electron Limited (Note 5.2.3.3)	10,000	-	-	10,000	5,357	1.24%	3.06%	4.17%
					<u>35,434</u>			
Carrying value as at 30 June 2013					<u>79,117</u>			
Provision for Impairment loss as at 30 June 2013					<u>45,786</u>			

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

5.2.1 Significant terms and conditions of sukuk bonds outstanding as at 30 June 2013 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Sukuk bonds				
Eden Housing Limited	1,594	2.5% + 6 Month KIBOR	29 March 2008	29 September 2014
Eden Builders Limited	938	2.3% + 3 Month KIBOR	08 September 2008	08 March 2014
Kohat Cement Company Limited	758	2.5% + 6 Month KIBOR	20 December 2007	20 September 2016
Maple Leaf Cement Factory Limited (1st Issue)	4,489	1% + 3 Month KIBOR	03 December 2007	03 December 2018
Pakistan Electron Limited	2,143	1.75% + 3 Month KIBOR	28 September 2007	28 September 2014

5.2.2 All sukuk bonds have a face value of Rs 5,000 each.

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

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

5.2.3.2 The sukuks of Maple Leaf Cement Factory Limited (MLCFL) were restructured on 30 March 2010. In accordance with the terms of restructuring, the amount of markup due on 03 December 2009 was partially off-set through issuance of new sukuks, "Maple Leaf Cement Factory Limited Sukuk II". The Sukuk II had been recognised at NIL value on a prudent basis and in accordance with the guidance specified by SECP which require overdue mark-up to be recognised on cash basis. The Issuer defaulted again in the payment of principal and mark-up due on 03 September 2011. In accordance with the requirements of circular 33 of 2012 issued by SECP, the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. Upto 31 December 2012, the amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular while considering date of default as 03 September 2011 amounted to Rs.18.96 million.

During the year, the Fund has received principal amounted to Rs. 5 million (4 installments of 1.25 million each) with mark up of Rs. 7.941 million. In addition, the Fund's total exposure in Maple Leaf-II of Rs.1.875 million has been received along with mark up of Rs. 0.152. MUFAP after consultation and discussion with SECP has confirmed that MLCFL should be classified as non-performing and has instructed to mutual funds to suspend further provisioning as required under Circular 33 of 2012 after considering the fact that MLCFL has started performing in accordance with the revised rescheduling terms. MUFAP confirmed that provisioning status quo (in terms of percentage) should be maintained and additional provisioning shall be stopped till the asset becomes performing. Accordingly, provision as at 30 June 2013 has been maintained represents sixty percent of the outstanding balance. However, profit is being recorded by the Fund on receipts basis in accordance with the requirements of Circular 33 of 2012. The income suspended on these sukuk bonds upto 30 June 2013 amounted to Rs. 1.093 million.

5.2.3.3 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 0.8 million was not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 30 June 2013 amounted to Rs. 1.215 million.

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

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	Note	2013	2012
(Rupees in '000)			
5.3 Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss' - net			
Market value of investments	5.1	139,368	134,096
Less: Carrying value of investments		<u>108,914</u>	<u>124,528</u>
		<u>30,454</u>	<u>9,568</u>
5.4 Net unrealised appreciation on remeasurement investments classified as 'available for sale'			
Market value of investments	5.2	35,434	66,148
Less: Carrying value of investments		<u>79,117</u>	<u>97,444</u>
		(43,683)	(31,296)
Provision against non-performing sukus			
Balance as at 1 July		35,583	7,314
Provision made during the year		<u>10,202</u>	<u>28,269</u>
Balance as at 30 June		<u>45,785</u>	<u>35,583</u>
		<u>2,103</u>	<u>4,287</u>
5.5 Movement in provision against non-performing sukus			
Balance as at 1 July		35,583	7,314
Provision made during the year		<u>10,202</u>	<u>28,269</u>
Balance as at 30 June		<u>45,785</u>	<u>35,583</u>
6 DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable on equity securities		218	1
Profit on savings deposits		1,241	1,023
Income accrued on sukuk bonds - net		<u>4,087</u>	<u>5,047</u>
		<u>5,546</u>	<u>6,071</u>
7 DEPOSITS AND ADVANCE			
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Advance tax		<u>32</u>	<u>32</u>
		<u>2,632</u>	<u>2,632</u>
8 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Balance as at the beginning of the year	8.1	160	660
Less: Amortisation during the year		<u>160</u>	<u>500</u>
Balance as at the end of the year		<u>-</u>	<u>160</u>
8.1 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 27 October 2007 as per the requirements set out in the Trust Deed of the Fund.			
9 PAYABLE TO THE NBP FULLERTON ASSET MANAGEMENT LIMITED			
Management fee	9.1	721	656
Sindh sales tax and Federal Excise duty on management fee	9.2 & 9.3	185	105
Front end load and others		<u>325</u>	<u>269</u>
		<u>1,231</u>	<u>1,030</u>
9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund 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 three percent per annum till 27 October 2012. Effective from 28 October 2012, the remuneration of the Management Company has been charged at the rate of two percent per annum.			
9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011, effective from 1 July 2011.			

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

Note 2013 2012
(Rupees in '000)

10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Trustee fee	10.1	75	60
CDS charges		51	57
		126	117

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2012 is as follows:

Net Asset	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 11.1 Under the provisions of the NBFC Regulations, a collective scheme categorized as an islamic scheme is required to pay an annual fee to SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

Note 2013 2012
(Rupees in '000)

12 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration		286	251
Brokerage payable		491	273
Bank charges payable		39	8
Payable against printing charges		75	119
Accrued NCCS charges		46	16
Charity payable	12.1	314	471
Provision for Workers' Welfare Fund	16	4,809	2,664
Others		198	8
		6,258	3,810

- 12.1 In accordance with the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby the portion of the investment of the investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the year, Rs. 0.410 million (2012: Rs. 0.076 million) has been given out to charitable institutions.

13 CONTINGENCY AND COMMITMENT

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

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	2013	2012
	(Number of units)	
14 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	26,013,069	26,702,727
Add: units issued during the year	10,814,562	2,474,258
Add: bonus issued during the year	761,750	3,565,886
Less: units redeemed during the year	<u>(5,723,227)</u>	<u>(6,729,802)</u>
Total units in issue at the end of the year	<u>31,866,154</u>	<u>26,013,069</u>

	2013	2012
	(Rupees in '000)	
15 AUDITORS' REMUNERATION		
Audit fee	254	231
Half yearly review fee	102	92
Out of pocket expenses	<u>45</u>	<u>36</u>
	<u>401</u>	<u>359</u>

16 PROVISION FOR WORKERS' WELFARE FUND

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

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

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

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2013. As at 30 June 2013 the management has maintained provision against Workers' Welfare Funds' amounting to Rs. 4.809 million, if the same were not made the NAV per unit of the Fund would have been higher by Rs. 0.1509.

17 TAXATION

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

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

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 06 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Management Company classified NAFA Islamic Multi Asset Fund (the Fund) as 'Shariah Compliant (Islamic) Scheme' and 'Balanced Scheme' in accordance with the said circular. As at 30 June 2013, the Fund is compliant with all the requirements of the said circular except for clause 2(iv) which requires that rating of any debt security in the portfolio shall not be lower than A- (A minus). Non compliance of the said circular are as follows:

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Category of non-compliant investment	Type of investment / name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
----- Rupees in '000' -----						
i) Investment in debt securities	a) Maple Leaf Cement Factory Limited - Sukuk *	44,894	26,937	17,957	4.15%	4.07%
	b) Kohat Cement Company Limited - Sukuk **	5,684	-	5,684	1.31%	1.29%
	c) Eden Housing Limited - Sukuk *	7,969	2,777	5,192	1.20%	1.18%
	d) Pak Electron Limited - Sukuk *	21,429	16,071	5,358	1.24%	1.22%

* At the time of purchase, the said Sukuks were in compliance of the said circular (i.e. investment grade) and were subsequently downgraded due to default in payments of due principal and markup.

** Book value, performing but below A- (A minus)

19 FINANCIAL INSTRUMENTS BY CATEGORY

-----as at June 30, 2013-----				
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
----- Rupees in '000 -----				
Assets				
Balances with banks	257,924	-	-	257,924
Investments	-	139,368	35,434	174,802
Dividend and Profit receivable	5,546	-	-	5,546
Deposits	2,600	-	-	2,600
	<u>266,070</u>	<u>139,368</u>	<u>35,434</u>	<u>440,872</u>

-----as at June 30, 2013-----				
	Liabilities at fair value through profit or loss	Other financial liabilities	Total	
----- Rupees in '000 -----				
Liabilities				
Payable to the NBP Fullerton Asset Management Limited - Management Company	-	1,231	-	1,231
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	126	-	126
Accrued expenses and other liabilities	-	1,449	-	1,449
	-	<u>2,806</u>	-	<u>2,806</u>

-----as at June 30, 2012-----				
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
----- Rupees in '000 -----				
Assets				
Balances with banks	77,824	-	-	77,824
Investments	-	134,096	66,148	200,244
Dividend and Profit receivable	6,071	-	-	6,071
Deposits	2,600	-	-	2,600
	<u>86,495</u>	<u>134,096</u>	<u>66,148</u>	<u>286,739</u>

-----as at June 30, 2012-----				
	Liabilities at fair value through profit or loss	Other financial liabilities	Total	
----- Rupees in '000 -----				
Liabilities				
Payable to the NBP Fullerton Asset Management Limited - Management Company	-	1,030	-	1,030
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	117	-	117
Payable against purchase of investments	-	13,562	-	13,562
Accrued expenses and other liabilities	-	1,146	-	1,146
	-	<u>15,855</u>	-	<u>15,855</u>

NAFA ISLAMIC MULTI ASSET FUND

20 TRANSACTIONS WITH CONNECTED PERSONS

- 20.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and its connected persons and Alexandra Fund Management Pte. Limited being the sponsors, Taurus Securities being subsidiary of NBP - the sponsor, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 20.2 The transactions with connected persons are at contracted rates and terms determined in accordance with market rates.
- 20.3 Remuneration payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 20.4 Remuneration to the Trustee is determined in accordance with the provisions of the Trust Deed.

	For the year ended 30 June 2013	For the year ended 30 June 2012
	(Rupees in '000)	
20.5 NBP Fullerton Asset Management Limited - Management Company		
Management fee for the year	7,712	7,814
Sindh sales tax on management fee	1,234	1,250
Federal excise duty on management fee	70	-
Front end load for the year	763	501
National Bank of Pakistan - Sponsor		
Cash dividend	3,093	12,775
Taurus Securities (Private) Limited		
Brokerage	64	76
Alexandra Fund Management Pte. Limited		
Bonus Units Issued (307,591 units, 2012; 1,416,412 units)	-	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee for the year	732	700
CDS charges	64	23
Employees of the Management Company		
Units issued / transferred in 33,489 units (2012: 12,275 units)	392	131
Units redeemed / transferred out 31,190 units (2012: 12,275 units)	367	131
Bonus Units Issued (468 units; 2012; 299 units)	-	-
Gul Ahmed Textile Mills Limited - EPF		
Units Redeemed 35,519 (2012: Nil)	405	-
Fauji Fertilizer Company Limited		
Purchase of 442,800 Equity Shares (2012: 386,700 shares)	50,994	54,144
Sale of 541,800 Equity Shares (2012: 509,200 shares)	61,773	74,639
The Hub Power Company Limited		
Purchase of 1,125,500 Equity Shares (2012: 1,113,760 shares)	56,002	43,096
Sale of 1,526,500 Equity Shares (2012: 942,500 shares)	81,188	35,137
20.6 Balances at year end	2013	2012
	(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management Company		
Management Fee payable	721	656
Sindh Sales tax on management fee	115	105
Front end load payable	325	269
FED Payable	70	-
National Bank of Pakistan		
Investment held by the Sponsor in the Fund 7,500,000 units (2012: 7,500,000 units)	101,911	77,324
Balance in current account	42	20
Taurus Securities (Private) Limited		
Brokerage Payable	12	-
Alexandra Fund Management Pte. Limited		
Investment held by the Sponsor in the Fund 9,294,527 units (2012: 8,986,937 units)	126,295	92,654
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	75	60
CDS charges payable	51	57
Security deposit	100	100
Employees of the Management Company		
Units held in the Fund 4,665 units (2012: 1,898 units)	63	20
Fauji Fertilizer Company Limited		
Shares held by the fund 68 shares (2012: 99,068 shares)	7	11,002
The Hub Power Company Limited		
Shares held by the fund 166,760 share (2012: 567,760 shares)	10,281	23,783

NAFA ISLAMIC MULTI ASSET FUND

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

As at June 30, 2013

S.No.	Name	Qualification	Experience in years
1.	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	25
2.	Sajjad Anwar*	CFA / MBA Finance	13
3.	Syed Suleman Akhtar	CFA	13
4.	Muhammad Ali Bhabha	MBA / MS (CS) /CFA / FRM	18.5
5.	Asim Wahab Khan*	CFA	7

* Asim Wahab Khan is the Fund Manager of the Fund. He is also the Fund Manager of NAFA Multi Asset Fund and NAFA Stock Fund.

22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

2013

1.	KASB securites ltd.	7.91%
2.	Taurus securities ltd.	7.50%
3.	Foundation securities	6.85%
4.	Arif habib securities limited	6.26%
5.	Optimus capital management limited	6.22%
6.	Aqeel karim dehdi securities (pvt) limited	5.25%
7.	Topline securities (pvt) limited	5.11%
8.	Fortune securities	5.07%
9.	J.s. Global capital ltd.	4.25%
10.	First capital equities limited	4.05%

2012

1.	Taurus Securities Limited	10.86%
2.	Aqeel Karim Dhedi Securities (Pvt) Limited	6.64%
3.	Foundation Securities	6.03%
4.	Habib Metropolitan Financial Services	4.73%
5.	Next Capital Limited	4.28%
6.	KASB Securities Limited	4.23%
7.	Elixir Securities Pakistan (Private) Limited	4.21%
8.	Invest & Finance Securities (Pvt) Limited	4.01%
9.	Al Habib Capital Markets (Pvt) Limited	3.89%
10.	Top Line Securites (Pvt) Limited	3.87%

23 PATTERN OF UNIT HOLDING

30 June 2013

Category	Number of unit holders	Investment	Percentage investment
------(Rupees in '000)-----			
Category			
Individuals	389	117,505	27.14%
Associated Companies / Directors	2	228,206	52.70%
Insurance Companies	2	3,600	0.83%
Retirement Fund	8	19,801	4.57%
Others	2	63,890	14.76%
	<u>403</u>	<u>433,002</u>	<u>100.00%</u>

30 June 2012

Category	Number of unit holders	Investment	Percentage investment
------(Rupees in '000)-----			
Category			
Individuals	244	35,253	13.14%
Associated Companies / Directors	2	169,978	63.38%
Insurance Companies	2	2,641	0.98%
Retirement Fund	7	13,447	5.01%
Others	2	46,872	17.48%
	<u>257</u>	<u>268,191</u>	<u>100.00%</u>

NAFA ISLAMIC MULTI ASSET FUND

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 37th, 38th, 39th, 40th and 41st Board meetings were held on 9 July 2012, 11 September 2012, 23 October 2012, 26 February 2013 and 26 April 2013 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Number of meetings held	Attended	Leave granted	
Mr. Shahid Anwar Khan***	5	5	0	
Dr. Asif A. Brohi*	5	1	4	37th, 38th, 40th & 41st meeting
Mr. Khalid Mahmood*	1	0	1	41st meeting
Mr. Wah Geok Sum	5	4	1	41st meeting
Mr. Koh Boon San	5	5	0	
Mr. Shehryar Faruque	5	4	1	37th meeting
Mr. Kamal Amir Chinoy	5	2	3	37th, 39th & 41st meeting
Mr. Amir Shehzad	5	3	2	37th & 39th meeting
Mr. Asif Hassan****	0	0	0	
Dr Amjad Waheed	5	5	0	

* Dr. Asif A. Brohi retired from Board with effect from February 26, 2013

** Mr. Khalid Mahmood was co-opted on the Board with effect from April 11, 2013

*** Mr. Shahid Anwar Khan retired from Board with effect from May 20, 2013

**** Mr. Asif Hasan was co-opted on the Board with effect from May 20, 2013

25 FINANCIAL RISK MANAGEMENT

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

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

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

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, investment-grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

25.1 Market risk

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

Management of market risk

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

25.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

25.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

NAFA ISLAMIC MULTI ASSET FUND

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2013, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.976 million (2012: Rs 0.862 million)

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Further, in case of variable instruments, the sensitivity analysis has been performed from the last repricing date. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds no fixed rate instruments.

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

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

-----2013-----					
Yield / interest rate (%)	Upto three months	Exposed to yield/interest rate risk			Total
		Over three months	Over one year	Not exposed to Yield / Interest risk	

(Rupees in '000)

On-balance sheet financial instruments

Financial Assets

Balances with banks	6 - 11	238,395	-	-	19,529	257,924
Investments	11.85 - 16.15	1,245	5,682	-	167,875	174,802
Dividend and profit receivables	-	-	-	-	5,546	5,546
Deposits	-	-	-	-	2,600	2,600
Sub-total		<u>239,640</u>	<u>5,682</u>	<u>-</u>	<u>195,550</u>	<u>440,872</u>

Financial Liabilities

Payable to the NBP Fullerton Asset Management Limited - Management Company	-	-	-	-	1,231	1,231
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	126	126
Payable against purchase of investments	-	-	-	-	-	-
Accrued expenses and other liabilities	-	-	-	-	1,449	1,449
Sub-total		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,806</u>	<u>2,806</u>
On-balance sheet gap		<u>239,640</u>	<u>5,682</u>	<u>-</u>	<u>192,744</u>	<u>438,066</u>

Off-balance sheet financial instruments

Off-balance sheet gap	-	-	-	-	-	-
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Total interest rate sensitivity gap

Cumulative interest rate sensitivity gap		<u>239,640</u>	<u>245,322</u>	<u>245,322</u>	<u>-</u>	<u>438,066</u>
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NAFA ISLAMIC MULTI ASSET FUND

Yield / interest rate (%)	Upto three months	Exposed to yield/interest rate risk			Total	
		Over three months	Over one year	Not exposed to Yield / Interest risk		
		-----2012-----				
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	5.00 - 11.00	60,817	-	-	17,007	77,824
Investments	11.85 - 16.15	2,861	11,142	-	186,241	200,244
Dividend and profit receivables	-	-	-	-	6,071	6,071
Deposits	-	-	-	-	2,600	2,600
Sub-total		63,678	11,142	-	211,919	286,739
Financial Liabilities						
Payable to the NBP Fullerton Asset Management Limited - Management Company	-	-	-	-	1,030	1,030
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	117	117
Payable on redemption of units	-	-	-	-	13,562	13,562
Accrued expenses and other liabilities	-	-	-	-	1,146	1,146
Sub-total		-	-	-	15,855	15,855
On-balance sheet gap		63,678	11,142	-	196,064	270,884
Off-balance sheet financial instruments	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		63,678	11,142	-	196,064	270,884
Cumulative interest rate sensitivity gap		63,678	74,820	-	-	-

25.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

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

In case of 5% increase / decrease in KSE 100 index on 30 June 2013, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 6.968 million (2012: Rs 6.705 million) as a result of gains / (losses) on equity securities classified 'at fair value through profit and loss'.

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

25.2 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.

Management of credit risk

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

Concentration of the credit risk

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

NAFA ISLAMIC MULTI ASSET FUND

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

Balances with banks	2013	2012
	(Rupees in '000)	
Balances with banks		
A1+, A-1+	24,813	17,744
A1, A-1	233,096	60,074
A2, A-2	15	5
	<u>257,924</u>	<u>77,823</u>

Investments - Term finance certificates and sukuk bonds

	2013	2012
	(Rupees in '000)	
A+, A, A-	1,245	2,861
BB+, BB, BB-	17,957	-
D	10,548	52,145
Non-rated	5,684	11,142
	<u>35,434</u>	<u>66,148</u>

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

25.3 Liquidity risk

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

Management of liquidity risk

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

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

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

Maturity analysis for financial liabilities

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

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

	----- June 30, 2013 -----			
	Total	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees in '000) -----			
Financial Liabilities (excluding unit holders' fund)				
Payable to the NBP Fullerton Asset Management Limited - Management Company	1,231	1,231	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	126	126	-	-
Payable against purchase of investments	-	-	-	-
Accrued expenses and other liabilities	1,449	1,449	-	-
	<u>2,806</u>	<u>2,806</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>433,002</u>	<u>433,002</u>	<u>-</u>	<u>-</u>

NAFA ISLAMIC MULTI ASSET FUND

----- June 30, 2012-----				
Total	Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000)-----				
Financial Liabilities (excluding unit holders' fund)				
Payable to the NBP Fullerton Asset Management Limited - Management Company	1,030	1,030	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	117	117	-	-
Payable on redemption of units	13,562	13,562	-	-
Accrued expenses and other liabilities	1,146	1,146	-	-
	<u>15,855</u>	<u>15,855</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>268,191</u>	<u>268,191</u>	<u>-</u>	<u>-</u>

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular No. 33 of 2012 dated 24 October 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 33 of 2012 dated 24 October 2012 issued by the SECP.

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

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

-----As at June 30, 2013-----				
Level 1	Level 2	Level 3	Total	
----- (Rupees in '000)-----				
ASSETS				
Investment in listed equity securities - held for trading	139,368	-	-	139,368
Investment in securities - available for sale	-	6,927	28,507	35,434
	<u>-</u>	<u>6,927</u>	<u>28,507</u>	<u>35,434</u>
-----As at June 30, 2012-----				
Level 1	Level 2	Level 3	Total	
----- (Rupees in '000)-----				
ASSETS				
Investment in listed equity securities - held for trading	134,096	-	-	134,096
Investment in securities - available for sale	-	14,003	52,145	66,148
	<u>-</u>	<u>14,003</u>	<u>52,145</u>	<u>66,148</u>

NAFA ISLAMIC MULTI ASSET FUND

The reconciliation of provision in respect of level 3 is stated in note 5.5 to the financial statements.

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

In accordance with the risk management policies stated in note 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by shortterm borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

28 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on 11 July 2013 have proposed a final distribution at the rate of 17.27%. The financial statements of the fund for the year ended 30 June 2013 do not include the effect of the final distribution which will be accounted for in the financial statements of the fund for the year ended 30 June 2014.

29 DATE OF AUTHORISATION FOR ISSUE

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC MULTI ASSET FUND

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010	For the year ended June 30, 2009	For the period from September 17, 2007 to June 30, 2008
Net assets at the year / period ended (Rs '000)	433,002	268,191	288,582	387,112	535,384	697,586
Net gain / (loss) for the year / period ended (Rs '000)	105,069	1,380	74,783	54,422	(51,713)	(33,878)
Net Asset Value per unit at the year / period ended (Rs)	13.5881	10.3099	9.1039	8.8485	8.5736	9.5360
Offer price per unit	13.9957	10.6192	9.3770	9.1140	8.8308	9.8221
Redemption price per unit	13.5881	10.3099	9.1039	8.8485	8.5736	9.5360
Highest offer price per unit (Rs)	14.2075	10.9870	9.6503	9.4969	9.7562	10.7612
Lowest offer price per unit (Rs)	10.3631	9.2356	7.2660	7.8712	6.2801	9.5581
Highest redemption price per unit (Rs)	13.7937	10.6670	9.3692	9.2203	9.4720	10.4478
Lowest redemption price per unit (Rs)	10.0612	8.9666	7.0544	7.6420	6.0972	9.2797
Total return of the fund	36.31%	13.25%	28.44%	17.46%	-10.09%	-4.64%
- capital growth	14.92%	13.25%	3.19%	3.21%	-10.09%	-4.64%
- income distribution	21.39%	0.00%	25.25%	14.25%	0.00%	0.00%
Distribution						
Interim distribution per unit (Rs)	0.4124	-	0.5310	-	-	-
Final distribution per unit (Rs)	1.7269	-	1.7033	1.2217	-	-
Distribution Dates						
Interim	26-Feb-13	-	18-Feb-11	-	-	-
Final	26-Apr-13	-	19-Apr-11	-	-	-
	11-Jul-13	-	4-Jul-11	5-Jul-10	-	-
Average annual return of the fund (launch date October 29, 2007)						
(Since inception to June 30, 2013)	12.95%					
(Since inception to June 30, 2012)		46.48%				
(Since inception to June 30, 2011)			29.34%			
(Since inception to June 30, 2010)				0.70%		
(Since inception to June 30, 2009)					-14.26%	
(Since inception to June 30, 2008)						-4.64%
Portfolio Composition (Please see Fund Manager Report)						
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up						