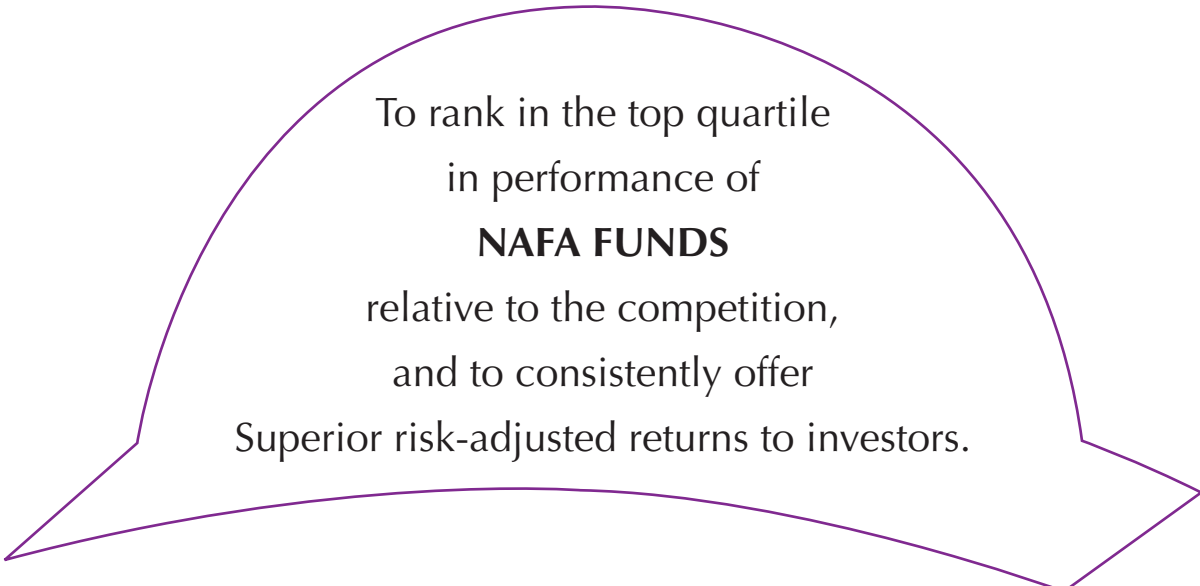


## MISSION STATEMENT



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. Shahid Anwar Khan	Chairman
Syed Ahmed Iqbal Ashraf	Director
Mr. Wah Geok Sum	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Patrick Pang Chin Hwang	Chairman
Mr. Shehryar Faruque	Member
Syed Ahmed Iqbal Ashraf	Member

### Trustee

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

### Bankers to the Fund

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

# NAFA ISLAMIC MULTI ASSET FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

NBP Corporate Branch  
3rd Floor, Park Lane Tower, Near Shahjahan Banquet Hall,  
Officers Colony, Khanewal Road. Multan.  
Tel : 92-061-6214070  
Fax: 92-061-6214062  
UAN: 92-061-111-111-632

# 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 Fourth Annual Report of NAFA Islamic Multi Asset Fund for the year ended June 30, 2011.

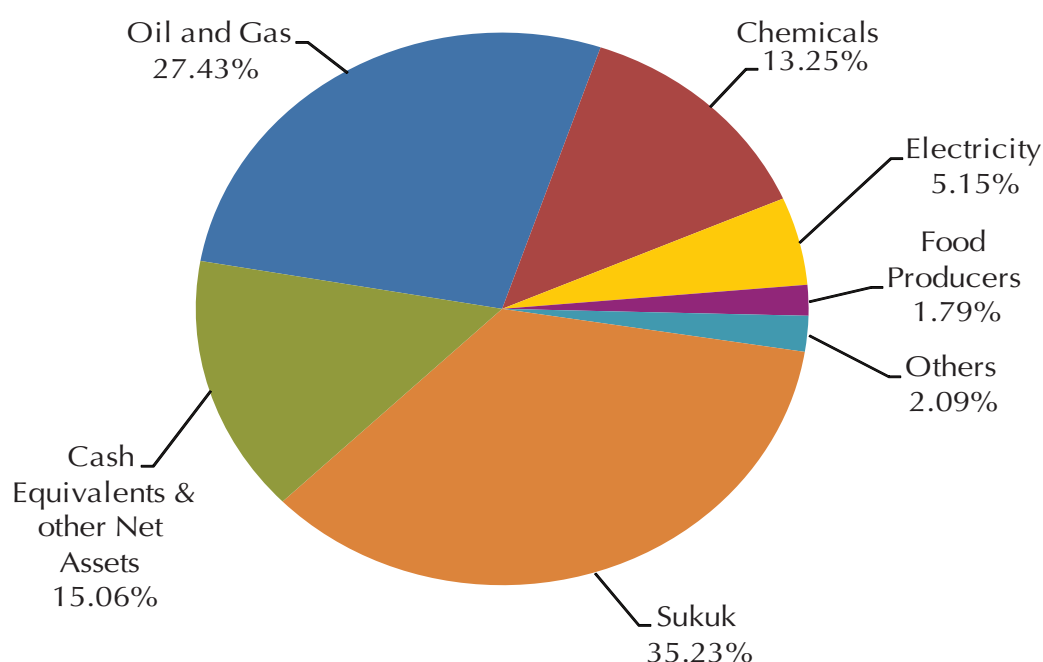
### Fund's Performance

During the FY 2010-11, the stock market (KMI-30 Index) rose by 43.66% driven by healthy corporate earnings; improvement in external accounts; and positive foreign portfolio investment flows. Oil & Gas, Chemicals, Industrial Engineering and Electricity sectors outperformed the market. While Banking, Financial Services, Fixed Line Communications and Construction & Materials sectors lagged the market. In the Fixed Income portfolio, there continues to be a marginal improvement in market's demand for debt securities. Many of the non-performing securities have been restructured within this fiscal year. The coupon rates of all sukuk in your Fund are floating and linked to KIBOR, which reduces interest rate risk.

During the fiscal year, the return on NAFA Islamic Multi Asset Fund was 28.44% as against its benchmark (50% KMI-30 Index, 50% 3-Month Profit Rate of Islamic Banks) return of 24.38%. Thus an out-performance of 4.06% during the year. The key factor for out-performance of the Fund was that some of the holdings in the Oil & Gas Exploration, Power and Fertilizer sub-sectors performed better than the market. Furthermore, our under-weight stance in the key companies in Cement, Oil & Gas Marketing sub-sectors and Banking sector that lagged the market also contributed to the out-performance of the Fund.

NAFA Islamic Multi Asset Fund has earned total income of Rs.89 million during the year. After deducting total expenses of Rs.14.22 million, the net income is Rs.74.78 million. During the year, the unit price of NAFA Islamic Multi Asset Fund has increased from Rs.7.0880 (distribution adjusted) on June 30, 2010 to Rs.9.1039 (Ex-Div) on June 30, 2011.

The asset allocation of NAFA Islamic Multi Asset Fund as on June 30, 2011 is as follows:



# NAFA ISLAMIC MULTI ASSET FUND

## Income Distribution

In addition to interim distribution of 6%, the Board of Directors of the Management Company has also approved a final distribution of 19.25%, translating into total distribution of 25.25% of opening ex-NAV (22.343% of the par value). After final distribution, the net asset value per unit will be Rs.9.1039 on June 30, 2011.

## 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, Messrs A. F. Ferguson & Co., Chartered Accountants, retire. In their place, the Board has approved the appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2012.

## 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon 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 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 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 21 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

Dr. Amjad Waheed, CFA  
Chief Executive

Shahid Anwar Khan  
Chairman

Date: September 29, 2011  
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

NAFA Islamic Multi Asset Fund (the Fund), an open-end scheme was established under a trust deed dated August 20, 2007, executed between NBP Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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.

We would like to draw unit holders attention towards the directives of the Securities and Exchange Commission of Pakistan issued vide Circulars # 1 of 2009 and 3 of 2010, which require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments. The sukuk certificates of Maple Leaf Cement Factory Limited (MLCFL) and Kohat Cement Company Limited (KCCL) were classified as performing in September 2010 and June 2010 respectively based on their restructured plans approved in March 2010 and February 2010 respectively.

The Management Company while complying the same has reclassified these sukuk certificates as performing, however, has not accrued the mark - up till October 13, 2010 for MLCFL and June 19, 2010 for KCCL. Thereafter the Management Company started accruing the mark up completely from October 14, 2010 for MLCFL and June 20, 2010 for KCCL. The Management Company has informed us that the same has been done on prudence basis, considering the underlying risk of realisability of the deferred mark-up which will be received in future periods. Moreover, it would be pertinent to note that subsequent to the year end MLCFL and KCCL have shown their inability to fulfill obligation with respect to coupon payment of mentioned sukuk certificates.

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

Karachi, October 21, 2011



# NAFA ISLAMIC MULTI ASSET FUND

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

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

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven non-executive directors including two independent directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred during the year in the Board of the Management Company due to resignation of Mr. Gerard Lee How Cheng and Mr. Qamar Hussain was filled by Mr. Choy Peng Wah and Syed Iqbal Ashraf on November 15, 2010 and March 25, 2011. Further, the casual vacancy due to resignation of Mr. Choy Peng Wah was filled by Mr. Wah Geok Sum on February 18, 2011.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.

# 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 the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. All the members of Board are well aware of operations of the Fund and Management Company, therefore no orientation courses were arranged during the year.
11. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
12. Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 21 to the financial statements "Transactions with Connected Persons".
15. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
16. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.

# NAFA ISLAMIC MULTI ASSET FUND

18. There exists an effective internal audit function within the Management Company. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Dated: September 29, 2011  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC MULTI ASSET FUND

## FUND MANAGER REPORT

### NAFA Islamic Multi Asset Fund

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

### Investment Objective of the Fund

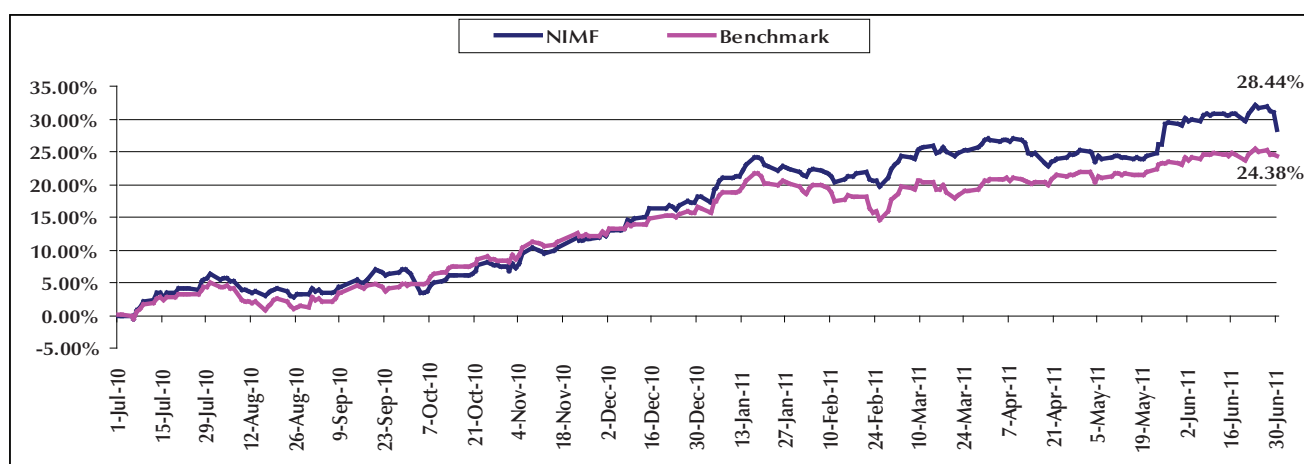
Objective of NIMF is to provide investors with a combination of capital growth and income by investing in a variety of asset classes such as Shariah Compliant stocks, bonds, money market instruments etc. The risk profile of the fund is moderate.

### Benchmark

The Benchmark of the Fund is 50% 1-month profit rate on Islamic Banks and 50% KMI-30 Index.

### Fund performance review

During FY11, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) increased by 28.44%, whereas the benchmark increased by 24.38%, thus an out-performance of 4.06% was recorded. This out-performance is net of management fee and all other expenses. Thus, NIMF has met its investment objective. During the year, we continued to follow our strategy of investing in high dividend yielding and defensive stocks belonging to the Oil & Gas, Chemicals and Electricity sectors, which benefited the Fund. Moreover, the under-weight stance in the Construction & Materials and Banking sectors that lagged the market also contributed to the out-performance of NIMF.



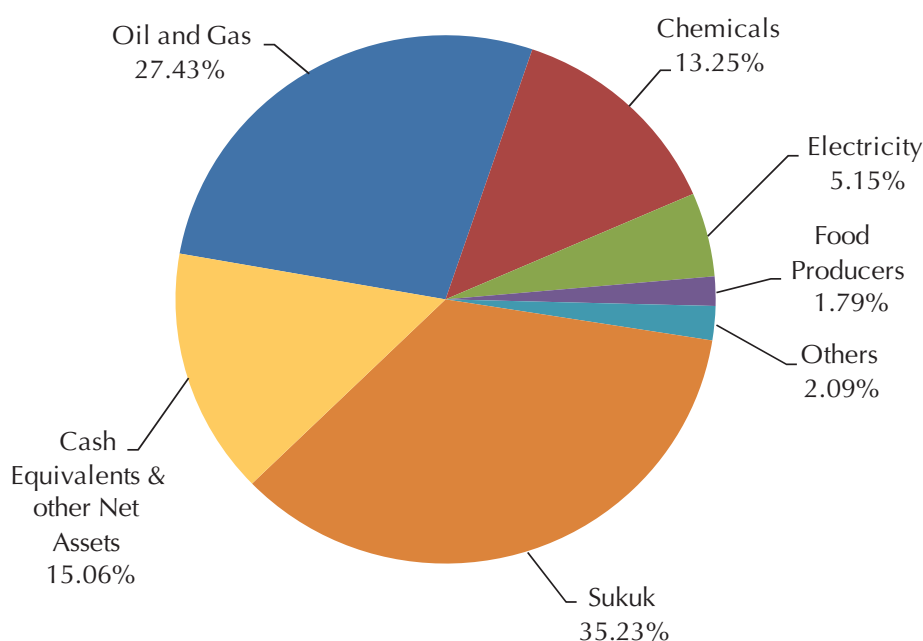
NIMF was around 58% invested in equities at the beginning of the year. However, during the year we altered the allocation in equities based on the performance of different asset classes. Towards the end of the year we reduced the allocation in equities to around the market weight.

Key factors responsible for the healthy performance of the stock market during the year include: (i) healthy corporate earnings (ii) positive foreign portfolio investment flows (iii) improvement in the external account (iv) stability on the domestic political front.

# NAFA ISLAMIC MULTI ASSET FUND

On the corporate fixed income sphere there continued to be a marginal improvement in the market's demand for debt securities of high rated issuers, mainly Banking, Telecom and Chemical sectors. Inflation as measured by CPI stood at 12.50% for FY11. During the year interest rates increased on the back of higher inflation. Coupon income on sukuk improved, which are floating rate instruments with coupon rate linked to KIBOR.

The asset allocation of the Fund as on June 30, 2011 is as follows



## Income Distribution

Interim Periods / Quarters	Dividend % of Par Value	Cumulative Dividend Price Per Unit (Rs.)	Ex-Dividend Price Per Unit (Rs.)
Jun-11	17.03%	10.8072	9.2769
Mar-11	2.66%	10.6308	10.3653
Dec-11	2.66%	10.7175	10.4675

# NAFA ISLAMIC MULTI ASSET FUND

## Pattern of Unit Holders for NAFA Islamic Multi Asset Fund – As on June 30, 2011

Size of Unit Holding (Units)		# of Unit Holders
1	1,000	21
1,001	5,000	123
5,001	10,000	48
10,001	50,000	96
50,001	100,000	13
100,001	500,000	6
500,001	1,000,000	1
1,000,001	5,000,000	2
5,000,001	10,000,000	2

Total: 312

# 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, 2011. This has been duly confirmed by the Shariah Advisor of the Fund.

Dated : September 29, 2011  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC MULTI ASSET FUND

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

August 16, 2011/ Ramadan 15, 1432 A.H

Alhamdulillah, the period from July 1, 2010 to June 30, 2011 was the fourth year of operations of NAFA Islamic Multi Asset Fund (NIMF). This report is being issued in accordance with clause 3.A.4 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shar'iah Compliance of the Fund's activity.

We have prescribed five criteria for Shariah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Illiquid assets to total assets, (iv) Investment in Shariah Non-Compliant activities (v) Shariah Non-Income from Non-Compliant Investments, 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 Shariah compliance with the Shariah 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 of 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 investments of NIMF in light of Shariah requirements. The following is a list of investments of NIMF as on June 30, 2011 and their evaluation according to the screening criteria established by us. (The half year ended December 31, 2010 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) % of Non-Shar'iah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>20%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Attock Petroleum	Oil & Gass	0.0%	3.26%	1.10%	26.03%	72	334.52
Fauji Fertilizer Bin Qasim Limited	Manufacturer of Fertilizer	17.03%	4.48%	2.21%	57.00%	(8.46)	35.73
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	20.82%	6.30%	1.69%	68%	(40.29)	125.86



# NAFA ISLAMIC MULTI ASSET FUND

Hub Power Company Limited	Power generation & Distribution	28.95%	0.0%	0.03%	41%	(10.79)	37.41
Lucky Cement	Cement Manufacturer	22.45	0.00%	0.00%	94%	(7.03)	75.79
LOTPTA	Chemicals	17.19%	1.59%	1.99%	54%	(1.74)	13.7
Meezan Bank Limited	Islamic Commercial Bank	**					
National Refinery Limited	Oil Refinery & Marketing	0.00%	7.02%	1.18%	40%	(33.78)	273.79
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	5.43%	0.52%	48%	11	170.83
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	5.83%	2.41%	68%	7.56	295.96
Pak. Telecommunication. Co. Ltd	Provider of Telecommunication Services	10.70%	7.95%	3.77%	79%	(9.29)	19.42
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.95	27.28	3.59	38%	38.24	217.15
Pakistan State Oil Company Limited	Distribution of Oil & Gas	6.92%	0.00%	0.41%	30%	(76.26)	295.18
Tri-Pack Films Limited	Miscellaneous	21.19	0.00	0.06	72%	(45.67)	122.16
Thall	General industries	18.66%	0.77%	0.33%	83%	(87.08)	130.25
Unilever Pakistan Limited	Food producers	2.67%	1.06%	0.04%	73%	(544.27)	4360.17

\* All interest based debts

\*\* This scrip is recommended to be disinvested immediately.

In light of the above, we hereby certify that except those few investments that have been mentioned in the letter to management, all the other provisions of the Scheme and investments in equities made on account of NIMF by NAFA are Shariah compliant and in accordance with the criteria established by us.

- ii. On the basis of information provided by the management, all operations of NIMF for the period ended June 30, 2011 have been in compliance with the Shariah principles.
- 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). In such cases, the management company has been directed to set aside as charity such proportion of the income from Investee companies in order to purify the earnings of the Fund.

During the Period a provision of Rupees 287,874 was transferred to Charity account.

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 have performed an independent assurance engagement of NAFA Islamic Multi Asset Fund (the Fund) to express an opinion on the annexed Statement of compliance with the Shariah principles (the 'Statement') for the year ended June 30, 2011. Our engagement was carried out as required under clause 5.D.3 of the Trust Deed of the Fund.

### Management Company's responsibility

Management Company of the Fund is responsible for the preparation of the annexed statement (the subject matter) and for compliance 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 to ensure that operations of the Fund and its investment and placements have been made in compliance with the Shariah principles.

### Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the annexed statement reflects 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 (Criteria).

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah principles. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Amongst others, our scope included procedures to:

- Check compliance of specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund.
- Check that the Shariah Advisor has certified that operations of the Fund, its investments and placements have been in compliance with the Shariah principles.

### Conclusion

In our opinion, the annexed statement, in all material respects, present 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 June 30, 2011.

Chartered Accountants  
Karachi  
Dated: October 03, 2011

# NAFA ISLAMIC MULTI ASSET FUND

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited** (the Management Company) for and on behalf of **NAFA Islamic Multi Asset Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the 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 the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-regulation (xiii a) of the Listing Regulation No. 35 requires the Management Company to place before the Board of Directors for their consideration and approval 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 the 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 prices 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 Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

Chartered Accountants  
Karachi  
Dated: October 03, 2011

# NAFA ISLAMIC MULTI ASSET FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of NAFA Islamic Multi Asset Fund which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

### Auditor's responsibility

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Fund as of June 30, 2011, and of its financial performance and cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: October 03, 2011  
Karachi

# NAFA ISLAMIC MULTI ASSET FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2011

	Note	2011 -----Rupees in '000-----	2010
<b>ASSETS</b>			
Balances with banks	4	34,766	46,367
Receivable against sale of investments		2,945	4,550
Investments	5	245,126	347,868
Dividend and profit receivable	6	10,194	3,651
Advances, deposits, prepayments and other receivables	7	2,653	2,661
Preliminary expenses and floatation costs	8	660	1,160
<b>Total assets</b>		<u>296,344</u>	<u>406,257</u>
<b>LIABILITIES</b>			
Payable to the Management Company	9	868	1,036
Payable to the Trustee	10	112	118
Payable to the Securities and Exchange Commission of Pakistan	11	256	442
Payable against purchase of investments		2,945	-
Payable on redemption of units		-	15,190
Accrued expenses and other liabilities	12	3,581	2,359
<b>Total liabilities</b>		<u>7,762</u>	<u>19,145</u>
<b>NET ASSETS</b>		<u>288,582</u>	<u>387,112</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>288,582</u>	<u>387,112</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	<b>Number of units</b>	<b>Number of units</b>
Number of units in issue		<u>26,702,727</u>	<u>38,441,455</u>
		<b>Rupees</b>	<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>	14	<u>10.8072</u>	<u>10.0702</u>

The annexed notes 1 to 31 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 JUNE 30, 2011

	Note	2011 -----Rupees in '000-----	2010
<b>INCOME</b>			
Gain on sale of investments - net		48,541	83,622
Income from Sukuk bonds		21,090	14,221
Profit on bank deposits		2,600	7,309
Dividend income		13,193	18,223
Net unrealised appreciation in value of investments carried 'at fair value through profit or loss'	5.3	10,105	2,577
<b>Total Income</b>		<u>95,529</u>	<u>125,952</u>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	9,045	15,606
Remuneration of the Trustee	10.1	711	1,041
Annual fee - Securities and Exchange Commission of Pakistan	11.1	256	442
Securities transaction cost		1,283	3,668
Settlement and bank charges		287	454
Annual listing fee		30	45
Auditors' remuneration	15	353	372
Reversal of / Impairment loss on investments classified as 'available for sale'	5.5	(13,696)	6,235
Rating fee		129	71
Legal, professional and other charges		95	319
Amortisation of preliminary expenses and floatation costs	8	500	500
<b>Total Expenses</b>		<u>(1,007)</u>	<u>28,753</u>
<b>Net income from operating activities</b>		<u>96,536</u>	<u>97,199</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed		(20,227)	(41,666)
Provision for Workers' Welfare Fund	16	(1,526)	(1,111)
<b>Net income for the year before taxation</b>		<u>74,783</u>	<u>54,422</u>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<u>74,783</u>	<u>54,422</u>
<b>Earning per unit</b>	18		

The annexed notes 1 to 31 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 JUNE 30, 2011

	Note	2011	2010
		-----Rupees in '000-----	
Net income for the year after taxation		74,783	54,422
<b>Other comprehensive income / (loss)</b>			
Net unrealised diminution during the year in the market value of investments classified as 'available for sale'	5.4	(21,533)	(6,607)
<b>Total comprehensive income for the year</b>		<u>53,250</u>	<u>47,815</u>

The annexed notes 1 to 31 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 JUNE 30, 2011

	2011	2010
	-----Rupees in '000-----	
Undistributed income / accumulated (loss) brought forward	15,855	(82,519)
Final distribution June 30, 2010: 12.217% (2009: Nil) (Date of distribution: July 5, 2010)		
- Bonus units	(34,498)	-
- Cash distribution	(12,466)	-
Net income for the year	74,783	54,422
Interim distribution December 31, 2010: 2.655% (2009: Nil) (Date of distribution: February 18, 2011)		
- Bonus units	(4,715)	-
- Cash distribution	(2,046)	-
Interim distribution March 31, 2011: 2.655% (2010: Nil) (Date of distribution: April 19, 2011)		
- Bonus units	(4,819)	-
- Cash distribution	(2,045)	-
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the Unit Holders' Fund	30,305	43,952
Undistributed income carried forward	<u>60,354</u>	<u>15,855</u>

The annexed notes 1 to 31 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 JUNE 30, 2011

	2011	2010
	-----Rupees in '000-----	
Net assets at the beginning of the year	387,112	535,384
Issue of 6,033,141 units (2010:19,581,852 units) - including bonus units 4,814,054 (2010: Nil)	12,695	194,892
Redemption of 17,771,869 units (2010: 43,585,769 units)	(168,145)	(432,645)
	231,662	297,631
Final distribution (bonus) for the year ended June 30, 2010	34,498	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing loss and capital losses - transferred to Income Statement	20,227	41,666
- amount representing income and capital gains that form part of the unit holders' fund - transferred to Distribution Statement	(30,305)	(43,952)
	(10,078)	(2,286)
Net unrealised diminution during the year in the market value of investments classified as 'available for sale'	(21,533)	(6,607)
Gain on sale of investments - net	48,541	83,622
Other net income / (loss) for the year after taxation	26,242	(29,200)
	53,250	47,815
<b>Less: Distributions made during the year</b>		
Final distribution June 30, 2010: 12.217% (2009: Nil) (Date of distribution: 5th July 2010)		
- Bonus units	(34,498)	-
- Cash distribution	(12,466)	-
Interim distribution December 31, 2010: 2.655% (2009: Nil) (Date of distribution: 18th February 2011)		
- Bonus units	(4,715)	-
- Cash distribution	(2,046)	-
Interim distribution March 31, 2011: 2.655% (2010: Nil) (Date of distribution: 19th April 2011)		
- Bonus units	(4,819)	-
- Cash distribution	(2,045)	-
	(60,589)	-
Interim distribution: Issue of bonus units	9,534	-
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	30,305	43,952
<b>Net assets as at the end of the year</b>	<u>288,582</u>	<u>387,112</u>

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC MULTI ASSET FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-----Rupees in '000-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		74,783	54,422
<b>Adjustments</b>			
Net unrealised appreciation in value of investments at fair value through profit or loss		(10,105)	(2,577)
(Reversal of) / impairment loss on sukuk bonds classified as 'available for sale' investments		(13,696)	6,235
Amortisation of preliminary expenses and floatation costs		500	500
Element of loss and capital gains included in prices of units issued less those in units redeemed		20,227	41,666
		<u>71,709</u>	<u>100,246</u>
<b>(Increase) / decrease in assets</b>			
Receivable against sale of investments		1,605	145
Investments		105,010	135,239
Dividend and profit receivable		(6,543)	1,817
Advances, deposits, prepayments and other receivables		8	36
		<u>100,080</u>	<u>137,237</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to Management Company		(168)	(377)
Payable to Trustee		(6)	30
Payable to Securities and Exchange Commission of Pakistan		(186)	(43)
Payable against purchase of investments		2,945	-
Accrued expenses and other liabilities		1,222	1,183
		<u>3,807</u>	<u>793</u>
<b>Net cash inflow from operating activities</b>		<u>175,596</u>	<u>238,276</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units		12,695	194,892
Payments on redemption of units		(183,335)	(417,455)
Dividend paid		(16,557)	-
<b>Net cash outflow on financing activities</b>		<u>(187,197)</u>	<u>(222,563)</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		<u>(11,601)</u>	<u>15,713</u>
Cash and cash equivalents at the beginning of the year		46,367	30,654
<b>Cash and cash equivalents at the end of the year</b>	4	<u><u>34,766</u></u>	<u><u>46,367</u></u>

The annexed notes 1 to 31 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 JUNE 30, 2011

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 9th floor, Adamjee House, I. I. Chundrigar Road, Karachi. The management company is a member of Mutual Funds Association of Pakistan (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 investors with a combination of capital growth and income by investing in Shariah compliant investments. The Fund aims to achieve attractive returns at moderate levels of risk by investing in a variety of Shariah Compliant securities, instruments and avenues such as equities, musharikhah, murabahah, ijarah, etc.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2- "(Positive outlook)" to the Management Company. Based on the performance of the Fund for the year ended June 30, 2010, it has assigned performance ranking of Three Star for short term (tailoring 12 months) 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 requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

#### 2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

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

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

# NAFA ISLAMIC MULTI ASSET FUND

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

## 2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgement was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and 5).

## 2.5 Accounting Convention

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

## 2.6 Functional and Presentation Currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

### 3.1 Cash and cash equivalents

Cash and cash equivalents include balances with banks, other short term highly liquid investments with original maturities of three months or less which are subject to insignificant changes in value and bank overdrafts.

### 3.2 Financial assets

#### 3.2.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### 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 profits 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) Available for sale

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. These 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.

#### 3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

#### 3.2.3 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 recognised in the income statement.

# NAFA ISLAMIC MULTI ASSET FUND

## 3.2.4.1 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 investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009. 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

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale that comprise of equity securities are valued on the basis of quoted market prices available at the stock exchange.

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.

Net gains and losses arising from changes in the 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 gains or losses previously recognised directly in the 'statement of comprehensive income' are transferred to the 'income statement'.

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

Gains or losses are also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

## 3.2.5 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the 'Income Statement' is reclassified from 'Unit Holders' Fund' to the 'Income Statement'.

### a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 1 of 2009 dated January 6, 2009 issued by SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Management Company in its website.

### b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

### c) Equity Securities

For equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Income Statement is reclassified from Unit Holders' Fund to 'Income Statement'. Impairment losses recognised on equity instruments are not reversed through the Income Statement.

## 3.2.6 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.

# NAFA ISLAMIC MULTI ASSET FUND

## 3.2.7 Offsetting of financial assets and financial liabilities

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

## 3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

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

## 3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the 'income statement'.

## 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 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.

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

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

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

## 3.9 Provisions

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

## 3.10 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 also 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.

# NAFA ISLAMIC MULTI ASSET FUND

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to 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.

## 3.11 Proposed distributions

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

## 3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive the payment is established.
- Income on sukuk bonds is recognised on time proportion basis.
- Profit on bank deposits and placements is recognised on an accrual basis.
- Income on issue and redemption of units is recognised when units are issued and redeemed on the transaction date.

	Note	2011	2010
		-----Rupees in '000-----	
<b>4</b>			
<b>BALANCES WITH BANKS</b>			
Current accounts	4.1	16,663	10,792
Savings accounts		<u>18,103</u>	<u>35,575</u>
		<u>34,766</u>	<u>46,367</u>

4.1 These accounts carry profit at rates ranging from 5% to 12% (2010: 5% to 12.50%) per annum.

	Note	2011	2010
		-----Rupees in '000-----	
<b>5</b>			
<b>INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Investment in shares of listed companies	5.1	143,451	223,912
<b>Available for sale</b>			
Sukuk bonds	5.2	<u>101,675</u>	<u>123,956</u>
		<u>245,126</u>	<u>347,868</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, 2010	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2011	Market value at June 30, 2011	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)	----- % -----		
<b>Oil and Gas</b>									
Attock Petroleum Limited	-	11,250	-	-	11,250	4,211	1.46	1.72	0.02
Attock Refinery Limited	-	136,500	-	136,500	-	-	-	-	-
National Refinery Limited	22,000	64,900	-	66,900	20,000	7,045	2.44	2.87	0.03
Oil and Gas Development Company Limited	162,800	188,500	-	285,700	65,600	10,036	3.48	4.09	-
Pakistan Oil Fields Limited	153,600	367,010	-	443,350	77,260	27,737	9.61	11.32	0.03
Pakistan Petroleum Limited	177,543	485,541	31,468	594,400	100,152	20,738	7.19	8.46	0.01
Pakistan State Oil Company Limited	64,394	128,700	-	157,594	35,500	9,393	3.25	3.83	0.02
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	563,000	1,306,100	-	1,640,300	228,800	9,644	3.34	3.93	0.02
Fauji Fertilizer Company Limited	357,450	793,500	19,262	980,000	190,212	28,598	9.91	11.67	0.02
Lotte Pakistan PTA Limited	86,500	790,200	-	876,500	200	3	-	-	-
<b>Construction and Materials</b>									
Attock Cement Pakistan Limited	48,528	-	-	48,528	-	-	-	-	-
D.G. Khan Cement Company Limited	-	212,000	-	212,000	-	-	-	-	-
Lucky Cement Company Limited	109,800	199,000	-	308,800	-	-	-	-	-
<b>General Industrials</b>									
Ghani Glass Limited	41,000	19,522	-	60,522	-	-	-	-	-
Packages Limited	-	11,100	-	11,100	-	-	-	-	-
Thal Limited	61,071	54,700	12,374	97,588	30,557	3,088	1.07	1.26	0.05
Tri-Pack Films Limited	-	11,200	-	11,000	200	34	0.01	0.01	-
<b>Industrial Engineering</b>									
Al-Ghazi Tractors Limited	-	11,049	-	11,000	49	11	-	-	-
Millat Tractors Limited	14,598	6,800	2,687	24,085	-	-	-	-	-
<b>Automobile and Parts</b>									
Indus Motor Company Limited	13,100	-	-	13,100	-	-	-	-	-
<b>Food Producers</b>									
Unilever Pakistan Limited	1,709	-	-	720	989	5,168	1.79	2.11	0.01
<b>Personal Goods</b>									
Nishat Mills Limited	-	43,000	-	43,000	-	-	-	-	-
<b>Fixed Line Telecommunication</b>									
Pakistan Telecommunication Company Limited	626,400	342,000	-	968,200	200	3	-	-	-
<b>Electricity</b>									
The Hub Power Company Limited	489,371	1,337,500	-	1,430,371	396,500	14,869	5.15	6.07	0.03
Kot Addu Power Company Limited	-	63,000	-	63,000	-	-	-	-	-
<b>Gas Water and Multiutilities</b>									
Sui Northren Gas Pipelines Limited	-	55,000	-	55,000	-	-	-	-	-
Sui Southren Gas Company Limited	-	120,000	30,000	150,000	-	-	-	-	-
<b>Banks</b>									
Meezan Bank Limited	-	143,000	21,450	-	164,450	2,873	1.00	1.17	0.02
					<u>1,321,919</u>	<u>143,451</u>	<u>49.70</u>	<u>58.51</u>	
Carrying value as at June 30, 2011						<u>133,346</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.59.386 million (2010: 67.556 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 October 23, 2007 issued by SECP.



# NAFA ISLAMIC MULTI ASSET FUND

## 5.2 Sukuk bonds - available for sale

Name of the investee company	Number of bonds				Market value as at June 30, 2011	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, 2010	Purchases during the year	Sales during the year	As at June 30, 2011				
Rupees in '000								
Eden Housing Limited (Note 5.2.3.1)	5,000	-	-	5,000	12,373	4.29%	5.05%	3.42%
Eden Builders Limited	1,325	-	-	1,325	4,446	1.54%	1.81%	0.33%
Kohat Cement Company Limited	10,000	-	-	10,000	32,266	11.18%	13.16%	2.00%
Maple Leaf Cement Factory Limited (1st issue)	10,000	-	-	10,000	31,317	10.85%	12.78%	0.63%
Maple Leaf Cement Factory Limited (2nd issue) (Note 5.2.3.2)	375	-	-	375	-	0.00%	0.00%	0.63%
Pakistan Electron Limited	10,000	-	-	10,000	21,273	7.37%	8.68%	4.17%
					<u>101,675</u>	<u>35.23%</u>	<u>41.48%</u>	
Carrying value as at June 30, 2011					<u>130,522</u>			
Provision for Impairment loss as at June 30, 2011					7,314			

5.2.1 These carry a rate of return ranging from 13.29% to 16.1462% (2010: 13.31% to 17.48%) per annum.

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

5.2.3 As at June 30, 2011, the Fund had not received redemption of principal and / or profit amounts on some of its investments, the details of which are as follows:

5.2.3.1 This represents investment in privately placed sukuk bonds issue with a term of five years. The issuer defaulted in payment of principal and profit to certain sukuk holders due to which it was rated as 'Defaulter' by the MUFAP. The said sukuk was classified by the Fund due to non payment in June 30, 2010 and a provision of Rs. 5,469 thousand (as per the provision of circular 1 of 2009 and circular 3 of 2010 issued by SECP) was recorded by the Fund.

The issuer has paid the profit and principal in default to the Fund during the year except for the principal and profit due on June 29, 2011. The management as a matter of abundant caution and due to its aforementioned classification has retained a provision of Rs. 5,439 thousand in respect of these sukuk. The income suspended on these sukuk bonds amounted to Rs. 735 thousand.

5.2.3.2 This represents 2nd issue of sukuk by Maple Leaf Cement Factory Limited under a restructuring agreement with a face value of Rs 1,875 thousand. As this issue represents overdue mark-up, the management has fully provided the amount of issue and has suspended income of Rs 69 thousand on this issue.

5.3 Net unrealised appreciation in value of investments at 'fair value through profit or loss'	Note	2011		2010	
		-----Rupees in '000-----			
Market value of investments	5.1	143,451	223,912		
Carrying value of investments		<u>133,346</u>	<u>221,335</u>		
		10,105	2,577		
Less: Provision against non-performing investments		-	-		
		<u>10,105</u>	<u>2,577</u>		
5.4 Net unrealised diminution in value of investments classified as available for sale					
Market value of investments	5.2	101,675	123,956		
Carrying value of investments		<u>130,522</u>	<u>151,573</u>		
		(28,847)	(27,617)		
Less: Provision against non-performing sukuk		7,314	21,010		
		<u>(21,533)</u>	<u>(6,607)</u>		

# NAFA ISLAMIC MULTI ASSET FUND

	Note	2011	2010
		-----Rupees in '000-----	
<b>5.5</b>	<b>Movement in provision against debt securities</b>		
	Opening balance	21,010	14,775
	Charge for the year	-	21,010
	Less: Reversal of impairment loss	(13,696)	(14,775)
	Reversal / charge for the year - net	(13,696)	6,235
	Closing balance	<u>7,314</u>	<u>21,010</u>
<b>6</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>		
	Dividend receivable on equity securities	665	1,160
	Profit on savings deposits	293	2,182
	Income accrued on sukuk bonds	10,066	4,889
	Less: suspended income	(830)	(4,580)
		<u>9,236</u>	<u>309</u>
		<u>10,194</u>	<u>3,651</u>
<b>7</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Security deposits with:		
	- National Clearing Company of Pakistan Limited	2,500	2,500
	- Central Depository Company of Pakistan Limited	100	100
	Prepaid Listing Fee	-	-
	Prepaid Mutual Fund Rating Fee	-	29
	Receivable against transfer sales	21	-
	Advance Tax	32	32
		<u>2,653</u>	<u>2,661</u>
<b>8</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
	Balance as at the beginning of the year	1,160	1,660
	Less: Amortisation during the year	8.1 500	500
	Balance as at the end of the year	<u>660</u>	<u>1,160</u>
<b>8.1</b>	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from October 27, 2007 as per the requirements set out in the Trust Deed of the Fund.		
		<b>Note</b>	<b>2011</b>
			<b>2010</b>
			-----Rupees in '000-----
<b>9</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Management fee	9.1 721	949
	Front end load and others	147	87
		<u>868</u>	<u>1,036</u>
<b>9.1</b>	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 for the current year. The remuneration is paid monthly in arrears.		
		<b>Note</b>	<b>2011</b>
			<b>2010</b>
			-----Rupees in '000-----
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>		
	Trustee fee	10.1 61	65
	CDS charges	51	53
		<u>112</u>	<u>118</u>
<b>10.1</b>	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.		

# NAFA ISLAMIC MULTI ASSET FUND

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of Funds Under Management (Average NAV)	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 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million.

The remuneration is paid to the trustee monthly in arrears.

	Note	2011	2010
-----Rupees in '000-----			
<b>11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual Fee	11.1	<u>256</u>	<u>442</u>

11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.085 percent of the average annual net assets of the Scheme.

	Note	2011	2010
-----Rupees in '000-----			
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		252	230
Brokerage payable		93	230
Bank charges payable		57	45
Payable against printing charges		183	356
Accrued NCCS charges		34	57
Charity payable	12.1	322	330
Others		3	-
Provision for Workers' Welfare Fund	16	<u>2,637</u>	<u>1,111</u>
		<u>3,581</u>	<u>2,359</u>

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.254 thousand (2010: Rs.463 thousand) has been given out to charitable institutions.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments at the end of the year.

## 14 NET ASSET VALUE PER UNIT

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

	2011	2010
-----Rupees in '000-----		
<b>15 AUDITORS' REMUNERATION</b>		
Audit fee	231	210
Half yearly review fee	92	85
Shariah Compliance Audit fee	-	38
Out of pocket expenses	30	39
	<u>353</u>	<u>372</u>

# NAFA ISLAMIC MULTI ASSET FUND

## 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. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 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. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Subsequent to the year ended June 30, 2011, 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, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs.2.637 million (including Rs. 1.526 million for the current year) in these financial statements.

## 17 TAXATION

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

## 18 EARNING PER UNIT

Earning per unit (EPU) for the year ended June 30, 2011 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 19 COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 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 June 30, 2011, 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) and clause 2(vii) which requires that Weighted average time to maturity of non-equity assets shall not exceed 2 years.

Name of non-compliant investment	Type of investment	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	31,317	-	31,317	10.85%	10.57%
	b) Maple Leaf Cement Factory Limited - Sukuk (2nd issue)	1,875	1,875	-	-	-
	c) Kohat Cement Company Limited - Sukuk	32,266	-	32,266	11.18%	10.89%
	d) Eden Housing Limited - Sukuk	17,812	5,439	12,373	4.29%	4.18%
ii) Weighted average time to maturity of the non-equity assets **	Non-equity assets of the Fund	152,893	7,314	145,579	50.45%	49.13%

\* 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.

\*\* The weighted average time to maturity of the non-equity assets is 3.26 years.

The management is taking steps to ensure compliance with the above requirement.

# NAFA ISLAMIC MULTI ASSET FUND

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

Assets	-----as on June 30, 2011-----			Total
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	
----- Rupees in '000 -----				
Balances with banks	34,766	-	-	34,766
Receivable against sale of investments	2,945	-	-	2,945
Investments	-	143,451	101,675	245,126
Dividend and Profit receivable	10,194	-	-	10,194
Deposits	2,621	-	-	2,621
	<u>50,526</u>	<u>143,451</u>	<u>101,675</u>	<u>295,652</u>

Liabilities	-----as on June 30, 2011-----			Total
	Liabilities At fair value through profit or loss	Other financial liabilities		
----- Rupees in '000 -----				
Payable to the Management Company	-	868		868
Payable to the Trustee	-	112		112
Payable against purchase of investments	-	2,945		2,945
Accrued expenses and other liabilities	-	944		944
	<u>-</u>	<u>4,869</u>		<u>4,869</u>

Assets	-----as on June 30, 2010-----			Total
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	
----- Rupees in '000 -----				
Balances with banks	46,367	-	-	46,367
Receivable against sale of investments	4,550	-	-	4,550
Investments	-	223,912	123,956	347,868
Dividend and Profit receivable	3,651	-	-	3,651
Deposits	2,600	-	-	2,600
	<u>57,168</u>	<u>223,912</u>	<u>123,956</u>	<u>405,036</u>

Liabilities	-----as on June 30, 2010-----			Total
	Liabilities At fair value through profit or loss	Other financial liabilities		
----- Rupees in '000 -----				
Payable to the Management Company	-	1,036		1,036
Payable to the Trustee	-	118		118
Payable on redemption of units	-	15,190		15,190
Accrued expenses and other liabilities	-	1,248		1,248
	<u>-</u>	<u>17,592</u>		<u>17,592</u>

## 21 TRANSACTIONS WITH CONNECTED PERSONS

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

# NAFA ISLAMIC MULTI ASSET FUND

- 21.2 On March 31, 2010, NIB Bank Limited sold out its shareholding of NAFA to NBP. Accordingly, thereafter NIB is no longer a connected person for the Management Company.
- 21.3 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 21.4 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 21.5 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

	2011	2010
	-----Rupees in '000-----	
<b>21.6 Details of transactions with connected persons are as follows:</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management fee for the year	9,045	15,606
Front end load for the year	176	2,117
<b>National Bank of Pakistan - Sponsor</b>		
Cash dividend	13,145	-
<b>Taurus Securities (Private) Limited</b>		
Brokerage	94	-
<b>Alexandra Fund Management Pte. Limited</b>		
Units redeemed / transferred out (4,181,825 units; 2010: Nil units)	40,000	-
Bonus units issued (1,752,350 units; 2010: Nil units)	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee for the year	711	1,041
CDS charges	57	141
<b>Chief Financial Officer</b>		
Units issued / transferred in (Nil units; 2010: 29,890 units)	-	300
Units redeemed / transferred out (Nil units; 2010: 29,890 units)	-	294
<b>Employees of the Management Company</b>		
Units issued / transferred in (4,811 units; 2010: 724,903 units)	50	7,183
Units redeemed / transferred out (4,811 units; 2010: 793,466 units)	50	7,966
Bonus units issued (263 units; 2010: Nil units)	-	-
<b>NAFA Islamic Aggressive Income Fund</b> (Formerly NAFA Islamic Income Fund)		
Payment made for the purchase of sukuk bonds	-	21,175
	2011	2010
	-----Rupees in '000-----	

**21.7 Amounts outstanding as at the year end**

<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management Fee payable	721	949
Front end load payable	147	87
<b>National Bank of Pakistan</b>		
Investment held by the Sponsor in the Fund (7,500,000 units; 2010: 7,500,000 units)	81,054	75,527
Balance in current account	400	4,923

# NAFA ISLAMIC MULTI ASSET FUND

	2011	2010
	-----Rupees in '000-----	
<b>Taurus Securities (Private) Limited</b>		
Brokerage Payable	14	-
<b>Alexandra Fund Management Pte. Limited</b>		
Investment held by the Sponsor in the Fund (7,570,525 units; 2010:10,000,000 units)	81,816	100,702
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	61	65
CDS charges payable	51	53
Security deposit	100	100
<b>Employees of the Management Company</b>		
Units held in the Fund (1,599 units; 2010: 1,336 units)	17	13

## 22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

----- As at June 30, 2011 -----

S.No.	Name	Qualification	Experience in years"
1	Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	23
2	Sajjad Anwar	CFA / MBA Finance	11
3	Ahmed Nouman	CFA / EMBA	15
4	Tanvir Abid	CFA / MBA / FRM	12

\* Sajjad Anwar is the Fund Manager of the Fund. He is also the Fund Manager of NAFA Multi Asset Fund and NAFA Stock Fund.

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

		2011
1	KASB Securities Limited	8.79%
2	Taurus Securities Limited	8.54%
3	Foundation Securities	7.91%
4	Next Capital Limited	6.21%
5	Fortune Securities (Private) Limited	5.51%
6	Invisor Securities (Private) Limited	5.47%
7	Elixir Securities Pakistan (Private) Limited	5.26%
8	Habib Metropolitan Financial Services	4.94%
9	JS Global Capital Limited	4.81%
10	AKD Securities Limited	4.62%
		2010
1	JS Global Equities	7.47%
2	KASB Securities Limited	6.60%
3	Taurus Securities Limited	6.02%
4	Foundation Securities	4.73%
5	Elixir Securities Pakistan (Private) Limited	4.71%
6	Invisor Securities (Private) Limited	4.69%
7	IGI FINEX Securities Limited	4.40%
8	Habib Metropolitan Financial Services	3.64%
9	Global Securities Pakistan Limited	3.64%
10	Invest Capital & Securities	3.28%



# NAFA ISLAMIC MULTI ASSET FUND

## 24 PATTERN OF UNIT HOLDING

-----2011-----			
Category	Number of unit holders	Investment amount	Percentage of total
------(Rupees in '000)-----			
Individuals	299	37,481	12.99%
Associated Companies / Directors	2	162,870	56.44%
Insurance Companies	2	34,969	12.12%
Banks / DFIs	-	-	-
NBFC	-	-	-
Retirement Fund	7	11,872	4.11%
Public Limited Companies	-	-	-
Others	2	41,390	14.34%
	<u>312</u>	<u>288,582</u>	<u>100.00%</u>

-----2010-----			
Category	Number of unit holders	Investment amount	Percentage of total
------(Rupees in '000)-----			
Individuals	417	46,582	12.03%
Associated Companies / Directors	2	176,228	45.52%
Insurance Companies	2	27,102	7.00%
Banks / DFIs	2	25,177	6.50%
NBFC	-	-	-
Retirement Fund	13	79,748	20.62%
Public Limited Companies	1	50	0.01%
Others	2	32,225	8.32%
	<u>439</u>	<u>387,112</u>	<u>100.00%</u>

## 25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 27th, 28th, 29th, 30th and 31st Board meetings were held on July 05, 2010, August 25, 2010, October 18, 2010, February 18, 2011 and April 19, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings held	Attended	Leave granted	Meetings not attended
Mr. Qamar Hussain*	4	2	2	29th, 30th meeting
Mr. Shahid Anwar Khan	5	4	1	27th meeting
Dr. Asif A. Brohi*****	4	-	4	28th, 29th, 30th & 31st meeting
Mr. Shehryar Faruque	5	3	2	27th & 29th meeting
Mr. Kamal Amir Chinoy	5	3	2	27th & 30th meeting
Mr. Syed Iqbal Ashraf**	1	1	-	
Mr. Gerard Lee How Cheng***	3	2	1	29th meeting
Mr. Patrick Pang Chin Hwang	5	5	-	
Mr. Choy Peng Wah****	1	-	1	30th meeting
Mr. Wah Geok Sum*****	1	1	-	
Dr Amjad Waheed	5	5	-	

\* Mr. Qamar Hussain resigned from the board with effect from March 25, 2011.

\*\* Mr. Syed Iqbal Ashraf was co-opted on the board with effect from March 25, 2011.

\*\*\* Mr. Gerard Lee How Cheng resigned from the board with effect from November 15, 2010.

\*\*\*\* Mr. Choy Peng Wah was co-opted on the board with effect from November 15, 2010 & has resigned from the board with effect from February 18, 2011.

\*\*\*\*\* Mr. Wah Geok Sum was co-opted on the board with effect from February 18, 2011.

\*\*\*\*\* Dr. Asif A. Brohi was co-opted on the board with effect from August 09, 2010



# NAFA ISLAMIC MULTI ASSET FUND

## 26 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 26.1 Market risk

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

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

Market risk comprises of three types of risk: currency risk, yield / interest rate risk and other price risk.

#### 26.1.1 Currency risk

Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as currently all transactions are carried out in Pak Rupees.

#### 26.1.2 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.

##### 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 June 30, 2011, 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 0.912 million (2010: Rs 0.064 million).

##### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund does not have any investment in fixed rate debt securities.

#### Yield / Interest Rate Risk

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

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

"Effective Interest Rate%"	Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
		Upto three months	Over three months and upto one year	Over one year	
-----2011-----					
(Rupees in '000)					

#### On-balance sheet financial instruments

Financial Assets					
Balances with banks	5.00 - 12.00	34,766	18,103	-	16,663
Receivable against sale of investments	-	2,945	-	-	2,945
Investments	13.29 - 16.1462	245,126	-	101,675	143,451
Dividend and profit receivables	-	10,194	-	-	10,194
Deposits	-	2,621	-	-	2,621
<b>Sub-total</b>		<b>295,652</b>	<b>18,103</b>	<b>101,675</b>	<b>175,874</b>

#### Financial Liabilities

Payable to the Management Company	-	868	-	-	868
Payable to the Trustee	-	112	-	-	112
Payable against purchase of investments	-	2,945	-	-	2,945
Accrued expenses and other liabilities	-	944	-	-	944
<b>Sub-total</b>		<b>4,869</b>	<b>-</b>	<b>-</b>	<b>4,869</b>

#### On-balance sheet gap

	290,783	18,103	-	101,675	171,005
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#### Off-balance sheet financial instruments

	-	-	-	-	-
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#### Off-balance sheet gap

	-	-	-	-	-
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# NAFA ISLAMIC MULTI ASSET FUND

-----2010-----					
"Effective Interest Rate%"	Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
		Upto three months	Over three months and upto one year	Over one year	
------(Rupees in '000)-----					
<b>On-balance sheet financial instruments</b>					
Financial Assets					
Balances with banks	5.00 - 12.50	46,367	35,575	-	10,792
Receivable against sale of investments	-	4,550	-	-	4,550
Investments	13.31-17.48	347,868	-	123,956	223,912
Dividend and profit receivables	-	3,651	-	-	3,651
Deposits	-	2,600	-	-	2,600
<b>Sub-total</b>		<b>405,036</b>	<b>35,575</b>	<b>-</b>	<b>245,505</b>
Financial Liabilities					
Payable to the Management Company	-	1,036	-	-	1,036
Payable to the Trustee	-	118	-	-	118
Payable on redemption of units	-	15,190	-	-	15,190
Accrued expenses and other liabilities	-	1,248	-	-	1,248
<b>Sub-total</b>		<b>17,592</b>	<b>-</b>	<b>-</b>	<b>17,592</b>
<b>On-balance sheet gap</b>		<b>387,444</b>	<b>35,575</b>	<b>-</b>	<b>227,913</b>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-

## 26.1.3 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.

### a) Sensitivity analysis for equity instruments classified as 'Available for Sale'

Presently, the Fund holds no equity instruments classified as 'available for sale'.

### b) Sensitivity analysis for equity instruments at 'Fair value through Profit or Loss'

Presently, the Fund holds equity instruments at 'fair value through profit or loss' that expose the Fund to cash flow price risk. In case 5% increase / decrease in Karachi Stock Exchange at June 30, 2011, the net assets of the Fund and net income for the year would have been higher / lower by Rs 7.402 million (2010: Rs 3.588 million).

The analysis is based on the assumption that the 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 index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index. is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movement in the level of the KSE 100 index.

## 26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in sukuk and balances with banks. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

# NAFA ISLAMIC MULTI ASSET FUND

The analysis below summarises the credit quality of the Fund's bank balances and investment in sukuk bonds as at June 30, 2011 and June 30, 2010:

Bank Balances by rating category	2011	2010
A1+	49.14%	15.83%
A1	0.04%	0.13%
A-1	0.50%	71.98%
A-1+	1.34%	1.07%
A-2	0.05%	-
A2	48.93%	10.73%
A3,A-3	-	0.26%
<b>Sukuk by rating category</b>	<b>2011</b>	<b>2010</b>
A, A-, A+	25.30%	29.89%
BBB, BBB+, BBB-, BB, BB+	30.80%	-
D	12.17%	39.83%
Non-rated	31.73%	30.28%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are impaired except for assets as mentioned in note 5.2.3. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

## Concentration of credit risk

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

## 26.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, 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 damage 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 also has the ability to 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.

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.

----- June 30, 2011-----			
Total	Upto three months	More than three months and upto one year	More than one year
----- (Rupees in '000)-----			
Payable to the Management Company	868	868	-
Payable to the Trustee	112	112	-
Payable against purchase of investments	2,945	2,945	-
Accrued expenses and other liabilities	944	944	-
<b>4,869</b>	<b>4,869</b>	<b>-</b>	<b>-</b>

## Liabilities

Payable to the Management Company  
 Payable to the Trustee  
 Payable against purchase of investments  
 Accrued expenses and other liabilities

# NAFA ISLAMIC MULTI ASSET FUND

----- June 30, 2010-----

Total	Upto three months	More than three months and upto one year	More than one year
------(Rupees in '000)-----			

## Liabilities

Payable to the Management Company	1,036	1,036	-	-
Payable to the Trustee	118	118	-	-
Payable on redemption of units	15,190	15,190	-	-
Accrued expenses and other liabilities	1,248	1,248	-	-
	17,592	17,592	-	-

## 27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

The Fund's objectives when managing unit holders' 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 26, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

## 28 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

# NAFA ISLAMIC MULTI ASSET FUND

	-----As at June 30, 2011-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>ASSETS</b>				
Investment in listed equity securities - held for trading	143,451	-	-	143,451
Investment in securities - available for sale	-	89,302	12,373	101,675

	-----As at June 30, 2010-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>ASSETS</b>				
Investment in listed equity securities - held for trading	223,912	-	-	223,912
Investment in securities - available for sale	-	73,269	50,687	123,956

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

The Board of Directors of the Management Company in their meeting held on July 4, 2011 approved a final distribution for the year ended June 30, 2011 at the rate of 17.033% (2010: 12.2170%). The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

## 30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 29, 2011.

## 31 GENERAL

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

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

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, 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)	288,582	387,112	535,384	697,586
Net gain / (loss) for the year / period ended (Rs '000)	74,783	54,422	(51,713)	(33,878)
Net Asset Value per unit at the year / period ended (Rs)	9.1039	8.8485	8.5736	9.5360
Offer price per unit	9.3770	9.1140	8.8308	9.8221
Redemption price per unit	9.1039	8.8485	8.5736	9.5360
Highest offer price per unit (Rs)	9.6503	9.4969	9.7562	10.7612
Lowest offer price per unit (Rs)	7.2660	7.8712	6.2801	9.5581
Highest redemption price per unit (Rs)	9.3692	9.2203	9.4720	10.4478
Lowest redemption price per unit (Rs)	7.0544	7.6420	6.0972	9.2797
Total return of the fund	28.44%	17.46%	-10.09%	-4.64%
- capital growth	3.19%	3.21%	-10.09%	-4.64%
- income distribution	25.25%	14.25%	0.00%	0.00%
<b>Distribution</b>				
Interim distribution per unit (Rs)	0.5310	-	-	-
Final distribution per unit (Rs)	1.7033	1.2217	-	-
<b>Distribution Dates</b>	Feb 18, 2011 - April 19, 2011			
Interim		-	-	-
Final	4-Jul-11	5-Jul-10	-	-
Average annual return of the fund (launch date October 29, 2007)				
(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				

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