

NAFA Funds
Annual Report 2007



Managed by:
National Fullerton Asset Management Limited

Your investments & NAFA grow together

FULLERTON FUND
MANAGEMENT




NBP
National Bank of Pakistan



Joint - Venture Partners

**MISSION
STATEMENT**



To rank in the top quartile
in performance of
NAFA Funds
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors

FUND'S INFORMATION**Management Company**

National Fullerton Asset Management Limited.

Board of Directors of the Management Company

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

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Trustee

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

Bankers to the Fund**NAFA MULTI ASSET FUND**

Allied Bank Limited
 Askari Commercial Bank Limited
 Bank Alfalah Limited
 Bank Al-Habib Limited
 Habib Bank Limited
 KASB Bank Limited
 MCB Bank Limited
 National Bank of Pakistan
 NIB Bank Limited
 PICIC Commercial Bank Limited
 Soneri Bank Limited
 Habib Metropolitan Bank Limited

Auditors

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

Legal Advisor

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

Head Office

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

Lahore Office

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

Islamabad Office

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

DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the first Annual Report of **NAFA Multi Asset Fund** for the period since launch to June 30, 2007.

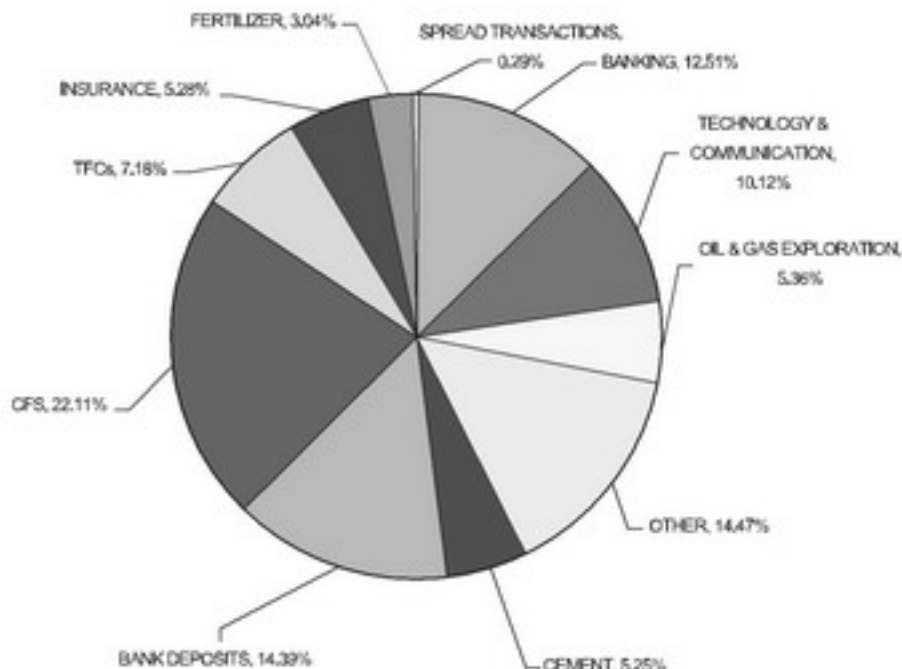
Fund's Performance

NAFA Multi Asset Fund commenced its investment activity on January 22, 2007 with an initial fund size of Rs.800 million. The net assets under management have grown by 56% to Rs.1,248 million by June 30, 2007. The Unit Price of NAFA Multi Asset Fund has grown from Rs.10 on January 22, 2007 to Rs.12.89 on June 30, 2007, thus showing a growth of 28.9%. The performance of the Fund is compared against that of a benchmark, which comprises 50% KSE-30 Index and 50% 1-Month KIBOR. As compared to 28.9% growth in Unit Price of the Fund, the benchmark has grown by 15.2%, during the same period. Thus the Fund has outperformed its benchmark by 13.7%.

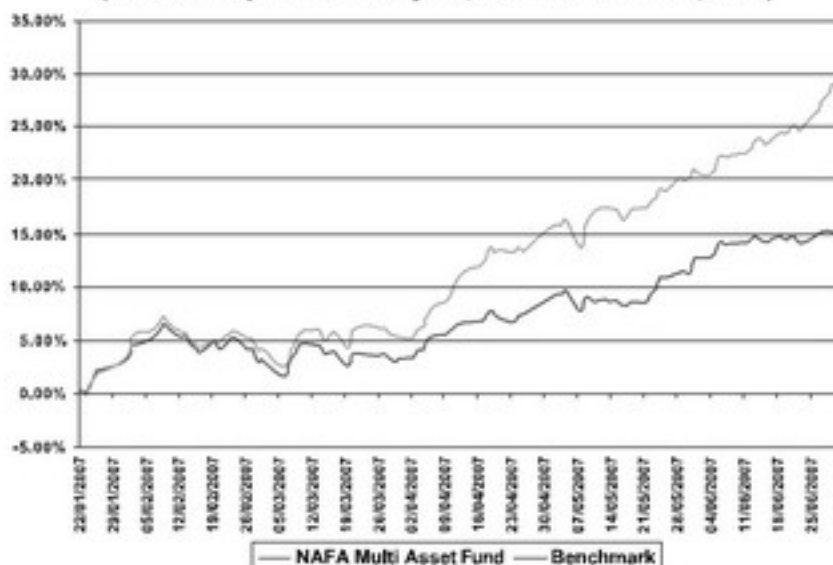
NAFA Multi Asset Fund has earned a total income of Rs.295.39 million during the year. After deducting expenses of Rs. 14.97 million, the net profit is Rs.280.42 million, translating into an earning per unit of Rs.2.89.

The asset allocation of the Fund as on June 30, 2007, and its performance against the benchmark are as follows:

Asset Allocation as on June 30, 2007



Performance Versus the Benchmark (Since inception January 22, 2007 till June 30, 2007)



Income Distribution

The Board of Directors of the Management Company has approved a bonus of 16.40%. This works out to 14.57 bonus units for every 100 units held by an investor. After the distribution of bonus units, the net asset value per unit is Rs.11,2560 on June 30, 2007.

Taxation

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

Auditors' Qualifications

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

Auditors

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

Pattern of Unit-holders

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

Directors' Statement in Compliance with Code of Corporate Governance

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

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

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

* Resigned from the Board on February 15, 2007.

** Appointed on February 15, 2007.

Acknowledgement

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

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

On behalf of the Board of
National Fullerton Asset Management Limited

Masood Karim Shaikh, FCA
Chairman

Dr. Amjad Waheed, CFA
Chief Executive

Date: August 8, 2007
Place: Karachi.

NAFA Multi-Asset Fund

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

Report of the Trustee Pursuant to Rule 75(h) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003

The NAFA Multi Asset Fund, an Open-ended Scheme established under a trust deed executed between National Fullerton Asset Management Limited as the Asset Management Company and Central Depository Company of Pakistan Limited as the Trustee on December 06, 2006. The Scheme was authorized by Securities and Exchange Commission of Pakistan (SECP) on December 20, 2006.

In our opinion, National Fullerton Asset Management Limited, the Management Company of NAFA Multi Asset Fund has in all material respects managed NAFA Multi Asset Fund during the period from January 15, 2007 to June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (Rules).

For the purpose of information, the attention of the Unit Holders is drawn towards note 6.3.1 of the financial statements wherein it is specified that listed Term Finance Certificates have been valued with reference to quotation obtained from brokerage houses instead of the closing rate quoted on stock exchange as required under the Rules.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007.

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

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

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consist seven directors including six independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period a casual vacancy occurred in the Board due to resignation of Shiekh Khalid Jamil which was filled by appointing Mr. Masroor Ahmed Qureshi by the Board within 30 days.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.
6. The Board has developed a vision/mision statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the period. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. All the members of Board are well aware of operations of the Fund and the Management Company, therefore no orientation courses were arranged during the period.
10. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
11. Directors Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in notes 17 to the financial

statement "Transactions with Connected Persons/Related Parties".

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

Dated: August 6, 2007
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

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

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

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the fund for the year ended June 30, 2007.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of NAFA Multi-Asset Fund, which comprise the statement of assets and liabilities as at June 30, 2007, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the period from January 15, 2007 to June 30, 2007, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

- a) The management does not revalue the investments of the Fund in listed Term Finance Certificates (TFCs) on a daily basis and such revaluation is carried out on a weekly basis. Further, the investments of the Fund in TFCs were revalued as at June 30, 2007 using the average of the rates quoted by certain brokerage houses. In this connection Rule 2 (xxiv) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) requires these investments to be revalued using the rates quoted on the stock exchanges on which these investments are listed. The management is of the view that the rates used by the Fund are representative of the fair market value of these investments and this valuation methodology is fair to the existing as well as the new investors. Had the investment of the Fund in TFCs been revalued on the basis as required under the NBFC Rules, the investments and the Net Assets Value (NAV) of the Fund, at June 30, 2007, would have been lower by Rs 1,001,495. In addition, the NAV calculation of the Fund and consequently the calculations of number of units issued as well as the net element of income and capital gains included in units issued less those in units redeemed by the Fund, during the period would also have been different. These effects have not been quantified, as it was impracticable to do so.

In our opinion, except for the effects of the matters referred to in paragraph (a) above the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2007 and of its financial performance, cash flows and transactions for the period from January 15, 2007 to June 30, 2007 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2007

	NOTE	June 30, 2007 (Rupees in '000')
ASSETS		
Balances with banks	4	172,559
Receivable against Continuous Funding System (CFS) transactions	5	282,829
Receivable against sale of investments		6,243
Investments	6	789,350
Advances, deposits and prepayments	7	1,100
Dividend and profit receivable	8	4,691
Preliminary expenses and floatation costs	9	2,278
Total assets		1,259,050
LIABILITIES		
Accrued expenses and other liabilities	10	2,200
Payable to National Fullerton Asset Management Limited -Management Company	11	7,611
Payable to Central Depository Company of Pakistan Limited - Trustee	12	182
Payable to Securities and Exchange Commission of Pakistan - Annual fee	13	413
Total liabilities		10,406
NET ASSETS		1,248,644
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		1,248,644
COMMITMENTS		
	14	Number Of Units
NUMBER OF UNITS IN ISSUE		96,824,120
		Rupees
NET ASSETS VALUE PER UNIT		12,890

The annexed notes 1 to 27 form an integral part of these financial statement

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Multi-Asset Fund

INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

	NOTE	For the period from January 15, 2007 to June 30, 2007 (Rupees in '000')
INCOME		
Capital gain on sale of investments		115,669
Dividend income		5,212
Income from Continuous Funding System (CFS) transactions		11,121
Income from spread transactions		30
Income from Term Finance Certificates		559
Profit on bank deposits	15	8,143
Unrealised gain on investments at fair value through profit or loss - net		121,074
Total Income		261,808
EXPENSES		
Remuneration of National Fullerton Asset Management Limited —Management Company	11.1	8,267
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1	808
Brokerage and other transaction costs		4,504
Annual fee - Securities and Exchange Commission of Pakistan	13.1	413
Annual listing fee		30
Settlement charges and bank charges		424
Financial charges	16	26
Auditors' remuneration	17	190
Amortisation of preliminary expenses and flotation costs	9	222
Total Expenses		14,974
Net income from operating activities		246,834
Element of income and capital gains included in prices of units issued less those in units redeemed		33,575
Net income for the period		280,409
Earnings per unit	18	

The annexed notes 1 to 27 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

DISTRIBUTION STATEMENT
FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

For the period
 from January
 15, 2007 to
 June 30, 2007
 (Rupees in '000')

Net income for the period

280,409

Undistributed income carried forward

280,409

The annexed notes 1 to 27 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
 (Management Company)

Dr. Amjad Waheed
 Chief Executive

Masood Karim Shaikh
 Chairman

NAFA Multi-Asset Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

	<i>For the period from January 15, 2007 to June 30, 2007 (Rupees in '000')</i>
Issue of 127,794,367.51 units	1,357,283
Redemption of 30,970,246.95 units	(355,473)
	<hr/> 1,001,810
Element of income and capital gains included in prices of units issued less those in units redeemed - transferred to Income Statement	(33,575)
Net unrealised appreciation in the value of investments classified as 'financial assets at fair value through profit or loss'	121,074
Capital gain on sale of investments	115,669
Other net income from operations	43,566
Net income for the period	280,409
	<hr/> 1,248,644
Net assets as at the end of the period	<hr/> 1,248,644

The annexed notes 1 to 27 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

CASH FLOW STATEMENT

FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

	Note	For the period from January 15, 2007 to June 30, 2007 (Rupees in '000')
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period		280,403
Adjustments		
Unrealised gain on investments at fair value through profit or loss - net		(121,074)
Amortisation of preliminary expenses and floatation costs		222
Element of income and capital gains included in prices of units issued less those in units redeemed		(33,568)
		125,982
(Increase) / Decrease in assets		
Receivable against Continuous Funding System (CFS) transactions		(282,829)
Receivable against sale of investments		(6,243)
Investments		(688,275)
Advances, deposits and prepayments		(1,100)
Dividend and profit receivable		(4,691)
		(983,139)
Increase / (Decrease) in liabilities		
Accrued expenses and other liabilities		2,200
Payable to National Fullerton Asset Management Limited - Management Company		7,611
Payable to Central Depository Company of Pakistan Limited - Trustee		182
Payable to Securities and Exchange Commission of Pakistan - Annual fee		413
		10,406
Payment made for preliminary expenses		(2,500)
Net cash outflow on operating activities		(829,251)
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from issue of units		1,357,283
Net payments on redemption of units		(355,473)
Net cash inflow from financing activities		1,001,810
Cash and cash equivalents at end of the period	4	172,559

The annexed notes 1 to 27 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)Dr. Amjad Waheed
Chief ExecutiveMasood Karim Shaikh
Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

1 LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Multi Asset Fund (NMF) was established under a Trust Deed executed between National Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on December 06, 2006 and was authorized by the Securities and Exchange Commission of Pakistan (SECP) on December 20, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

NMF 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 initial offer of units of NMF to the public was made on January 15, 2007.

The core objective of the Fund is to provide investors with a combination of capital growth and income. The Fund aims to achieve attractive returns at moderate levels of risk by investing in a variety of asset classes such as stocks, bonds, money market instruments, Continuous Funding System (CFS) etc.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

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

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

IAS 1 - Presentation of financial statements - amendments relating to capital disclosure	effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share based payment	effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	effective for accounting period beginning on or after November 1, 2008
IFRIC 11 - Group and treasury share transactions	effective for accounting period beginning on or after March 1, 2007
IFRIC 12 - Service concession arrangements	effective for accounting period beginning on or after January 1, 2008

2.4 Critical accounting estimates and judgements

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

- i) Classification and valuation of investments (note 3.2 and note 6)
- ii) Amortisation of preliminary expenses and flotation costs (note 3.8 and note 9)

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Investments

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

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

a) Financial assets at fair value through profit or loss

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

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

b) Held to maturity financial assets

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

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

c) Available for sale

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

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

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

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

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

3.3 Loans and receivables

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

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

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

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. All purchases and sales of securities that require delivery

within the time frame established by the regulations or market convention such as "T+3" purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the respective transactions. Transaction costs are included in the initial measurement of all CFS transactions except for transaction costs that may be incurred on disposal.

3.5 Spread transactions (Ready-Future Transactions)

The Fund enters into certain transactions involving purchase of a security in the ready market and simultaneous sale of the same security in the futures market. Securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative' in accordance with the requirements of International Accounting Standard 39: 'Financial Instruments: Recognition and Measurement'.

3.6 Due from and due to brokers

Amounts due from and to brokers represents receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the balance sheet date, respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

3.7 Impairment

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

3.8 Preliminary expenses and floatation costs

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

3.9 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 Accrued expenses

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

3.11 Taxation

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

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

3.12 Dividend distribution

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

3.13 Financial assets and financial liabilities

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

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

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

3.14 Offsetting of financial instruments

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

3.15 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is charging sales load (front-end load) at the rate of 3% of Net Asset Value (NAV).

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Currently, the Fund is not charging any back-end load or duties or charges on redemption.

3.16 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.

3.17 Net Asset Value per unit

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

3.18 Revenue recognition

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

June 30, 2007
(Rupees in '000)

4 BALANCES WITH BANKS

Current accounts	952
Savings accounts	171,607
	172,559

5 RECEIVABLE AGAINST CFS TRANSACTIONS

The rates of return on CFS transactions outstanding at June 30, 2007 range between 10.34% and 13.5% per annum, with maturities ranging from 1 to 22 days.

	Note	June 30, 2007 (Rupees in '000')
6 INVESTMENTS		
At fair value through profit or loss - held for trading		
Equity securities	6.1	699,717
Equity securities purchased under future sales contracts	6.2	-
Term finance certificates - listed	6.3	56,433
		756,150
Available for sale investments		
Term finance certificates - unlisted	6.4	15,000
Commercial paper		18,200
		789,350

6.1 Investments in listed equity securities - at fair value through profit or loss

(Shares of listed companies - fully paid up ordinary shares of Rs 10 each unless otherwise stated)

Name of the investee company	Number of shares				Market value at June 30, 2007	%age of investments in relation to net assets of the Fund
	Purchases during the period	Bonus issue	Sales during the period	As at June 30, 2007		
Rs. in '000'						
Investment Banks / Companies						
Arif Habib Securities Limited	90,000	-	90,000	-	-	-
Pakistan Industrial Credit and Investment Corporation Ltd.	200,000	-	200,000	-	-	-
Leasing Companies						
Orix Leasing Pakistan Limited	100,000	-	100,000	-	-	-
Commercial Banks						
Allied Bank Limited	358,300	-	43,300	315,000	43,789	3.51
Askari Bank Limited	353,000	25,000	378,000	-	-	-
Bank Al Habib Limited	387,500	20,000	407,500	-	-	-
Bank Al Falah Limited	215,000	-	-	215,000	13,987	1.12
Bank of Punjab Limited	845,000	19,500	604,500	-	-	-
Bank Islami Pakistan Limited	1,500,000	-	100,000	1,400,000	20,930	1.68
Faysal Bank Limited	115,000	-	115,000	-	-	-
MCB Bank Limited	300,000	24,000	249,000	75,000	27,375	2.19
Meezan Bank Limited	555,000	-	100,000	455,000	14,580	1.17
MyBank Limited	150,000	-	150,000	-	-	-
National Bank of Pakistan	468,800	15,945	462,000	20,745	5,435	0.44
PIIC Commercial Bank Limited	200,000	-	-	200,000	8,800	0.70
Saudi Pak Commercial Bank Limited	850,000	-	150,000	500,000	12,575	1.01
Sonari Bank Limited	550,000	-	550,000	-	-	-
United Bank Limited	77,300	-	37,300	40,000	8,798	0.70
Insurance Companies						
Adarjee Insurance Company Limited	125,000	-	125,000	-	-	-
Eastern Federal Union General Insurance Company Limited	115,000	-	45,000	70,000	16,940	1.36
New Jubilee Life Insurance Limited	197,500	-	-	197,500	9,924	0.79
Pakistan Reinsurance Company Limited	264,700	-	89,700	175,000	39,016	3.12
Premier Insurance	4,500	900	5,000	400	18	-

Name of the investee company	Number of shares				Market value at June 30, 2007	Share of investments in relation to net assets of the Fund
	Purchases during the period	Bonus issue	Sales during the period	As at June 30, 2007		
Rs. in '000'						
Textile Composite						
Artistic Denim Mills Limited	193,400	-	-	193,400	13,441	1.08
Chenab Limited	658,500	-	321,500	337,000	5,021	0.40
Colony Mills Limited	400,000	-	35,000	365,000	6,479	0.52
Kohinoor Mills Limited	25,000	-	25,000	-	-	-
Nisbat (Chunian) Mills Limited	151,000	-	151,000	-	-	-
Sunaj Cotton Mills Limited	94,500	-	46,000	46,500	2,755	0.22
Synthetic and Rayon						
Ibrahim Fibres Limited	122,000	-	-	122,000	6,954	0.56
Jute						
Thal Limited	94,500	-	71,400	23,100	6,445	0.52
Sugar and Allied Industries						
Shakarganj Mills Limited	25,000	-	25,000	-	-	-
J.D.W Sugar Mills Limited	175,000	-	33,800	141,200	9,933	0.80
Cement						
Attock Cement Pakistan Limited	154,700	-	154,700	-	-	-
D.G Khan Cement Company Limited	220,400	-	220,400	-	-	-
Kohat Cement Company Limited	989,200	-	37,200	952,000	51,884	4.16
Lucky Cement Limited	951,000	-	906,000	45,000	6,199	0.50
Maple Leaf Cement Limited	125,000	-	125,000	-	-	-
Pioneer Cement Limited	319,200	-	119,200	200,000	7,460	0.60
Refinery						
Attock Refinery Limited	65,000	-	65,000	-	-	-
National Refinery Limited	66,400	-	66,400	-	-	-
Power Generation and Distribution						
Hub Power Company Limited	1,550,000	-	1,540,000	10,000	367	0.03
Kot Addu Power Company Limited	1,206,000	-	1,206,000	-	-	-
Oil and Gas Marketing Companies						
Attock Petroleum Limited	5,500	-	5,500	-	-	-
Pakistan State Oil Company Limited	203,900	-	203,900	-	-	-
Sui Northern Gas Pipelines Limited	100,000	-	100,000	-	-	-
Oil and Gas Exploration Companies						
Mari Gas Company Limited	73,800	-	2,100	71,700	12,548	1.00
Oil and Gas Development Company Limited	1,623,100	-	1,323,000	300,100	35,952	2.88
Pakistan Oilfields Limited	265,000	-	265,000	-	-	-
Pakistan Petroleum Limited	570,000	-	499,900	70,100	18,398	1.47
Engineering						
Crescent Steel and Allied Products Limited	225,000	-	225,000	-	-	-
International Industries Limited	23,300	-	23,300	-	-	-
Sazgar Engineering Works Limited	300,000	-	-	300,000	21,495	1.72
Automobile Assemblers						
Ghandara Industries Limited	200,000	-	-	200,000	10,840	0.85
Ghandara Nissan Limited	258,500	-	-	258,500	10,857	0.87
Indus Motor Company Limited	116,200	-	116,200	-	-	-
Pak Suzuki Motor Company Limited	90,000	45,000	135,000	-	-	-
Milat Tractors Limited	14,000	-	-	14,000	4,641	0.37

NAFA Multi-Asset Fund

Name of the investee company	Number of shares			Market value at June 30, 2007	%age of investments in relation to net assets of the Fund
	Purchases during the period	Bonus issue	Sales during the period		
Rs. in '000'					
Automobile Parts and Accessories					
Agrauto Industries Limited	50,000		50,000	-	-
Cable and Electrical Goods					
Pak Elektron Limited	100,000		100,000	-	-
Transport					
Pakistan National Shipping Corporation Limited	246,300		187,700	58,600	5.508
Pakistan International Container Terminal Limited	35,000		35,000	-	-
Technology and Communications					
Callmate Telelips Telecom Limited	175,000		175,000	-	-
Eye Television Network Limited	700,500		135,500	565,000	28.194
Netsol Technologies Limited	1,305,000	120,750	505,000	920,750	60.600
Pakistan Telecommunication Company Limited	850,000		350,000	800,000	28.580
Fertilizers					
Engro Chemicals Pakistan Limited	317,000		167,000	150,000	37.950
Fauji Fertilizer Company Limited	190,300		190,300	-	-
Fauji Fertilizer Bin Qasim Limited	390,000		390,000	-	-
Paper and Board					
Packages Limited	10,000		10,000	-	-
Glass and Ceramics					
Ghani Glass Limited	59,800		-	59,800	4.556
Tariq Glass Industries Limited	50,000		-	50,000	3.452
Miscellaneous					
EcoPack Limited	125,500		-	125,500	2.707
Paco (Pakistan) Limited	1,034,000		-	1,034,000	29.459
Siddiqsons Tin Plate Limited	325,000		-	325,000	10.514
Tri Pack Films Limited	190,000		-	190,000	25.612
				890,717	56.05
Cost of investments as at June 30, 2007				578,594	

6.2 Equities securities purchased under future sale contracts

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

Name of the investee company	Number of shares			Market value at June 30, 2007	%age of investments in relation to net assets of the Fund
	Purchases during the period	Sales during the period	As at June 30, 2007		
Rs. in '000'					
Commercial Banks					
Askari Commercial Bank Limited	17,500	17,500	-	-	-
Cement					
D.G Khan Cement Company Limited	32,000	32,000	-	-	-
				-	-
Cost of investments as at June 30, 2007				-	

6.3 Term Finance Certificates - Listed

(Certificates of Rs 5,000 each)

Name of the investee company	Number of Certificates			Market value at June 30, 2007	%age of investments in relation to net assets of the Fund
	Purchases during the period	Sales during the period	As at June 30, 2007		
Rs. in '000'					
Chanda Oil & Gas Securities Company Limited	10,000	-	10,000	40,892	3.26
Azgard Nine Limited	3,000	-	3,000	15,741	1.26
				<u>56,433</u>	<u>4.52</u>
Cost of investments as at June 30, 2007				<u>56,482</u>	

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

6.4 Available for sale investments

Name of the investee company	Number of Certificates			Carrying value at June 30, 2007	%age of investments in relation to net assets of the Fund
	Purchases during the period	Sales during the period	As at June 30, 2007		
Rs. in '000'					
Term finance certificate - unlisted					
Engro Chemicals (Pakistan) Limited	3,000	-	3,000	15,000	1.20
Commercial paper					
Azgard Nine Limited	4,000	-	4,000	18,200	1.46
				<u>33,200</u>	<u>2.66</u>
Cost of investments as at June 30, 2007				<u>33,200</u>	

6.4.1 Unlisted term finance certificates and commercial paper classified as available for sale are valued at cost as these are not quoted in the market.

NOTE June 30, 2007
(Rupees in '000')

7 ADVANCES DEPOSITS AND PREPAYMENTS

Security deposits with:

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

1,000
100
1,100

8 DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable on equity securities
Income accrued on Continuous Funding System (CFS) transactions
Profit on bank deposits
Income accrued on Term Finance Certificates

1,875
1,053
344
1,419
4,691

9 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred
Less: amortisation during the period
Balance as at June 30, 2007

9.1

2,500
222
2,278

9.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from the end of the initial offering period (i.e. January 22, 2007) as per the requirements set out in the Trust Deed of the Fund.

NAFA Multi-Asset Fund

	NOTE	June 30, 2007 (Rupees in '000')
10 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		190
Payable to Alexandria Fund Management Pte. Limited		691
Settlement charges payable		69
Brokerage payable		430
Dividend payable to brokers		696
Others		124
		<u>2,200</u>
11 PAYABLE TO NATIONAL FULLERTON ASSET MANAGEMENT LIMITED – MANAGEMENT COMPANY		
Management fee	1.1	2,003
Others		5,608
		<u>7,611</u>
11.1	Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of two percent per annum during the current period.	
12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee fee	12.1	<u>162</u>
12.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily Net Assets Value (NAV) of the Fund.	
13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual Fee	13.1	<u>413</u>
13.1	Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, a Unit Trust Scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to one-tenth of one percent of the average annual net assets of the Scheme.	
14 COMMITMENTS		
Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at June 30, 2007		<u>119,296</u>
14.1	These transactions have been settled subsequent to the period end.	For the period from January 15, 2007 to June 30, 2007 (Rupees in '000')
15 PROFIT ON BANK DEPOSITS		
Income on savings deposits		<u>8,143</u>
16 FINANCIAL CHARGES		
Financial charges		<u>26</u>

During the period NAFA Multi-Asset Fund has entered into an agreement with a bank on March 21, 2007 for providing a short term running finance facility to meet redemption requests. In accordance with the terms of the arrangement, the bank has agreed to provide, from time to time, financing upto an aggregate sum of Rs.100,000,000. The facility is secured against demand promissory note and lien and pledge over the securities of the Fund. The facility carries mark-up at 12.14% per annum and is due to expire in March 2008. Up to June 30, 2007, the Fund has not availed this facility. The above financial charges represent stamp duty charges pertaining to the running finance facility.

For the period
from January
15, 2007 to
June 30, 2007
(Rupees in '000')

17 AUDITORS' REMUNERATION

Audit fee
Out of pocket expenses

175
15
190

18 EARNINGS PER UNIT

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

19 TRANSACTIONS WITH CONNECTED PERSONS

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

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

Transactions during the period June 30, 2007

National Fullerton Asset Management Limited - Management Company

Management fee
Preliminary expenses and floatation cost

8,267
2,500

National Bank of Pakistan - Sponsor

Investment made by the Sponsor in the Fund (11,300,000 units)
Profit paid by the Fund on pre-IPD investment

113,000
411

NIB Bank Limited - Sponsor

Investment made by the Sponsor in the Fund (7,500,000 units)
Profit paid by the Fund on pre-IPD investment
Income on bank deposits

75,000
518
5,017

Alexandra Fund Management Pta. Limited - Sponsor

Investment made by the Sponsor in the Fund (10,000,000 units)
Profit accrued by the Fund on pre-IPD investment

100,000
691

Chief Executive Officer

Investment made by the Chief Executive Officer (404,817 units)

5,019

Executive Staff

Units Issued (618,184 Units)
Units Redeemed (83,690 Units)

6,445
970

Balances at period end

Balance as at
June 30, 2007
(Rupees in '000')

National Fullerton Asset Management Limited - Management Company

Management fee payable at June 30, 2007
Other payable

2,003
5,608

National Bank of Pakistan - Sponsor

Investment made by the Sponsor in the Fund (11,300,000 units)
Deposit held by the Fund with the Sponsor at June 30, 2007

145,725
721

NIB Bank Limited - Sponsor

Investment made by the Sponsor in the Fund (7,500,000 units)
Deposit held by the Fund with the Sponsor at June 30, 2007

96,720
34,369

NAFA Multi-Asset Fund

Balance as at
June 30, 2007
(Rupees in '000')

Alexandra Fund Management Pte. Limited - Sponsor
Investment made by the Sponsor in the Fund (10,000,000 units)
Profit payable by the Fund on pre-IPO investment

128,960
691

Chief Executive Officer
Investment held by the Chief Executive Officer (404,817 units)

5,221

Executive Staff
Investment held by the Executive staff (534,494 units)

5,893

20 YIELD / INTEREST RATE RISK

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

June 30, 2007				
Total	-Exposed to Yield/Interest risk-			Not exposed to Yield/ Interest risk
	Up to three months	More than three months and up to one year	More than one year	
(Rupees in '000')				

On-balance sheet financial instruments

Financial Assets

Balances with banks	172,559	171,607	-	-	952
Receivable against Continuous Funding System (CFS) transactions	282,829	282,829	-	-	-
Receivable against sale of investments	6,243	-	-	-	6,243
Investments	769,350	15,741	18,203	55,689	809,717
Advances, deposits and prepayments	1,100	-	-	-	1,100
Dividend and profit receivable	4,691	-	-	-	4,691
	<u>1,256,772</u>	<u>470,177</u>	<u>18,203</u>	<u>55,689</u>	<u>712,703</u>

Financial Liabilities

Accrued expenses and other liabilities	2,200	-	-	-	2,200
Payable to National Fullerton Asset Management Limited - Management Company	7,611	-	-	-	7,611
Payable to Central Depository Company of Pakistan Limited - Trustee	182	-	-	-	182
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	413	-	-	-	413
	<u>10,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,406</u>

On-balance sheet gap

	<u>1,246,366</u>	<u>470,177</u>	<u>18,203</u>	<u>55,689</u>	<u>702,297</u>
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Off-balance sheet financial instruments

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

as at June 30, 2007	119,296	119,296	-	-	-
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Off-balance sheet gap

	<u>119,296</u>	<u>119,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
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June 30, 2007
Percentage
per annum

20.2 The rates of return on financial instruments are as follows:

Balances with banks	1.30 - 10.75
Receivable against Continuous Funding System (CFS) transactions	10.80 - 13.04
Investments in term finance certificates	12.84 - 13.00
CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2007	10.34 - 13.50

21 MATURITIES OF ASSETS AND LIABILITIES

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

	June 30, 2007			
	Total	Upto three months	Over three months and upto one year	More than one year
	(Rupees in '000)			
Assets				
Balances with banks	172,559	172,559	-	-
Receivable against CFS transactions	282,829	282,829	-	-
Receivable against sale of investments	6,243	6,243	-	-
Investments	789,350	699,717	18,203	71,430
Advances, deposits and prepayments	1,100	-	-	1,100
Dividend and profit receivable	4,891	4,891	-	-
Preliminary expenses and floatation costs	2,278	125	375	1,778
	<u>1,259,050</u>	<u>1,166,164</u>	<u>18,578</u>	<u>74,308</u>
Liabilities				
Accrued expenses and other liabilities	2,200	2,200	-	-
Payable to National Fullerton Asset Management Limited - Management Company	7,611	7,611	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	182	182	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee	413	413	-	-
	<u>10,406</u>	<u>10,406</u>	<u>-</u>	<u>-</u>
	<u>1,248,644</u>	<u>1,155,758</u>	<u>18,578</u>	<u>74,308</u>

22 RISK MANAGEMENT POLICIES

22.1 Market risk

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

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

22.2 Credit risk

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

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

22.3 Liquidity risk

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

22.4 Yield / Interest rate risk

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

23 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 value as the items are short term in nature.

For the
period
from January
15, 2007 to
June 30, 2007

24 PERFORMANCE TABLE

Net assets at the period end (Rs '000)	1,248,544
Net income for the period (Rs '000)	280,403
Net Assets Value per unit at the period end (Rs)	12.8360
Earnings per unit (Rs) - (note 18)	
Dividend distribution (%) - (note 25)	
Highest offer price per unit (Rs)	13.2847
Lowest offer price per unit (Rs)	10.2884
Highest redemption price per unit (Rs)	12.8378
Lowest redemption price per unit (Rs)	9.9867

25 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 05, 2007 have proposed a bonus issue at the rate of 16.4 percent. The financial statements of the Fund for the period ended June 30, 2007 do not include the effect of the bonus issue which will be accounted for in the financial statements of the Fund for the year ending June 30, 2008.

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 8, 2007.

27 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Anjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Multi-Asset Fund

PATTERN OF UNIT-HOLDING

As on June 30, 2007

S. No.	Particulars	No. of Accounts (%)	Units Held	Units Held (%)
1.	ASSOCIATE CONCERN	0.53	28,800,000	29.74
2.	BANKS & FINANCIAL INSTITUTIONS	2.14	15,584,037	16.10
3.	CORPORATE	0.53	3,906,889	3.73
4.	DIRECTOR	0.18	404,817	0.42
5.	INDIVIDUALS	89.13	22,530,389	23.27
6.	OTHERS	0.36	1,000	0.00
7.	TRUST	7.13	25,896,989	26.74
	Total	100.00	96,824,121	100.00



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