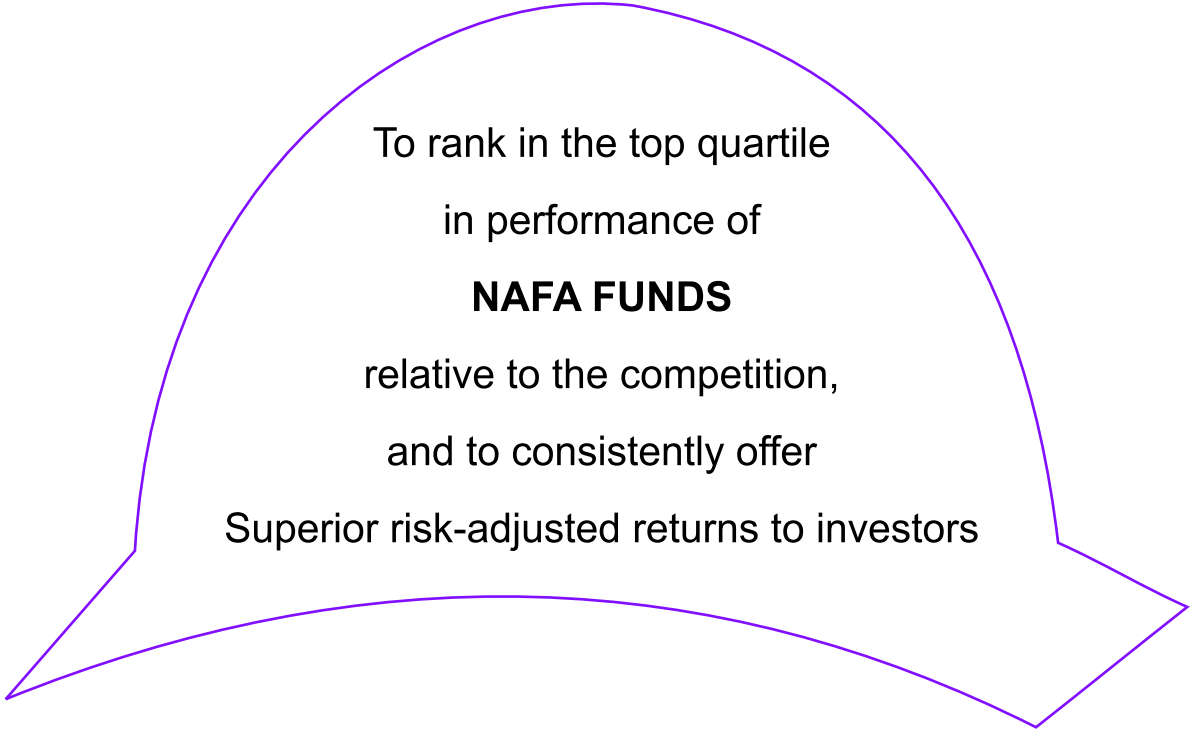

NAFA Stock Fund

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 Stock Fund

FUNDS' INFORMATION

Management Company

NBP Fullerton Asset Management Limited - Management Company
(Formerly National Fullerton Asset Management Limited)

Board of Directors of the Management Company

Mr. Qamar Hussain	Chairman
Mr. Shahid Anwar Khan	Director
Mr. Gerard Lee How Cheng	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Farooque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer

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. Shehryar Farooque	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

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

NAFA Stock 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 :

68-B-1, M.M. Alam Road,
Gulberg 3, Lahore.
Uan: 042-111-111-632
Phone No. 042-35778248-63
Fax: 042-35876806

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, Peshwar.
Phone No. 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

82 Khan Centre Near SP Chowk
Abdali Road, Multan Cantt,
Multan.

NAFA Stock Fund

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NAFA Stock Fund

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present the Fourth Annual Report of **NAFA Stock Fund** for the year ended June 30, 2010.

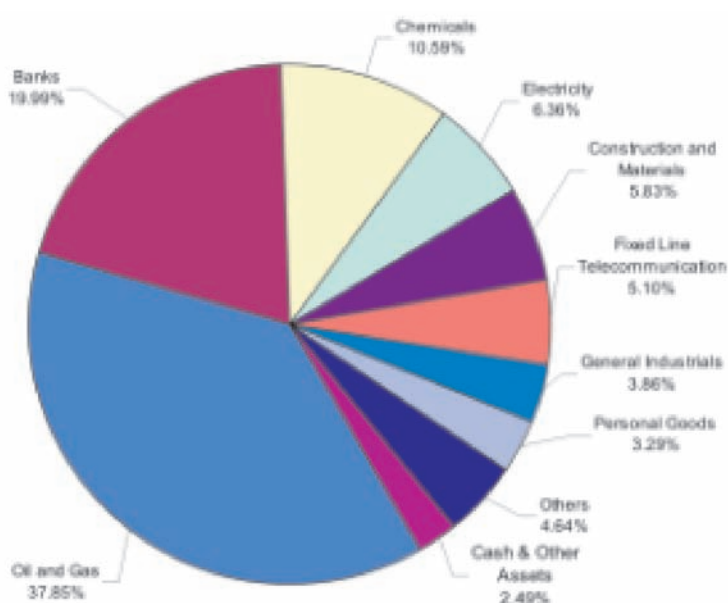
Fund's Performance

During the FY 2009-10, the stock market (KSE-30 Index) rose by 26% from 7,571 points as at June 30, 2009 to 9,557 points as at June 30, 2010. However, investors' interest in the share market remained subdued due to the overall macro-economic conditions and the tight liquidity situation. The recovery in the stock market has been merely driven by attractive valuations rather than economic growth.

During the fiscal year, the return on NAFA Stock Fund was 16.74% as against its benchmark (KSE-30 Index) return of 26.22%. The key factor for underperformance of the Fund was that some of the holdings in the portfolio did not perform in line with the market. However, in the second half FY 2009-10, the fund has out-performed its benchmark by 1.27%. Since inception (January 22, 2007), NSF has declined by 11.84%, whereas the benchmark has declined by 28.64%. Thus, the Fund has out-performed the stock market by 16.8%.

NAFA Stock Fund has earned a total income of Rs.198.97 million during the year. After deducting total expenses of Rs.61.42 million, the net income is Rs.137.55 million. During the year, the unit price of NAFA Stock Fund has increased from Rs.6.0685 on June 30, 2009 to Rs.7.0844 on June 30, 2010. The resultant per unit gain is Rs.1.0159.

The asset allocation of NAFA Stock Fund as on June 30, 2010 is as follows:



NAFA Stock Fund

Income Distribution

The Board of Directors of the Management Company has approved a final distribution of 15.10% of opening ex-NAV (9.163% of par value). After final distribution, the net asset value per unit will be Rs.6.1681 on June 30, 2010.

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 and, being eligible, offer themselves for re-appointment.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company of NAFA Stock 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 Stock 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 Stock Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the current financial year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.

NAFA Stock 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
(formerly: National Fullerton Asset Management Limited)

Dr. Amjad Waheed, CFA
Chief Executive

Qamar Hussain
Chairman

Date: August 25, 2010
Place: Karachi.

NAFA Stock Fund

TRUSTEE REPORT TO THE UNIT HOLDERS

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 Stock Fund (the Fund), an open-end scheme was established under a trust deed dated December 06, 2006, executed between National Fullerton Asset Management Limited, as the management company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the management company has in all material respects managed the Fund during the year ended June 30, 2009 in accordance with the provisions of the following:

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

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

September 06, 2010

NAFA Stock Fund

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

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 Stock 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 six 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 Syed Naseer ul Hassan and Mr. Raymond H. Kotwal were filled by Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque on May 17, 2010.
5. The Management Company has adopted a “Code of Business Ethics and Business Practices”, which has been acknowledged by all the directors and distributed to employees of the Management Company.
6. The Board has developed a vision/mission statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.

NAFA Stock Fund

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 20 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.
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.

NAFA Stock Fund

21. 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.
22. We confirm that all other material principles contained in the Code have been complied with.

Dated: September 14, 2010
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA Stock Fund

FUND MANAGER REPORT

NAFA Stock Fund

NAFA Stock Fund (NSF) is an open-end equity scheme

Investment Objective of the Fund

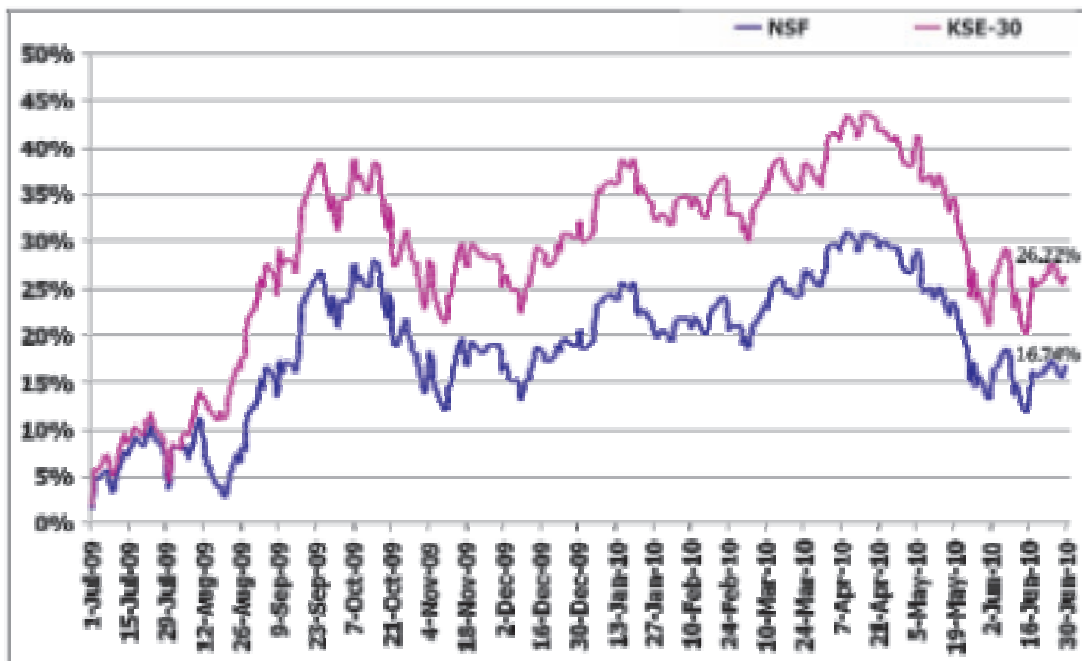
The objective of NSF is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund is moderate to high.

Benchmark

The Benchmark of the Fund is KSE-30 Index.

Fund performance review

During the year under review, the Benchmark, KSE-30 Index increased by 26.22%, whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 16.74%, thus an under-performance of 9.48% was recorded. The under-performance of the Fund versus the benchmark was mainly due to the under-performance of some of the holdings in the portfolio. Since inception on January 22, 2007 the NAV of NSF has declined by 11.84% while that of the benchmark has declined by 28.64%, thus to date out-performance is 16.80%. Also, in the second half FY10, the Fund out-performed its Benchmark by 1.27%. Thereby, NSF has met its investment objective over the long term. The chart below shows the performance of NSF against the benchmark for the year:



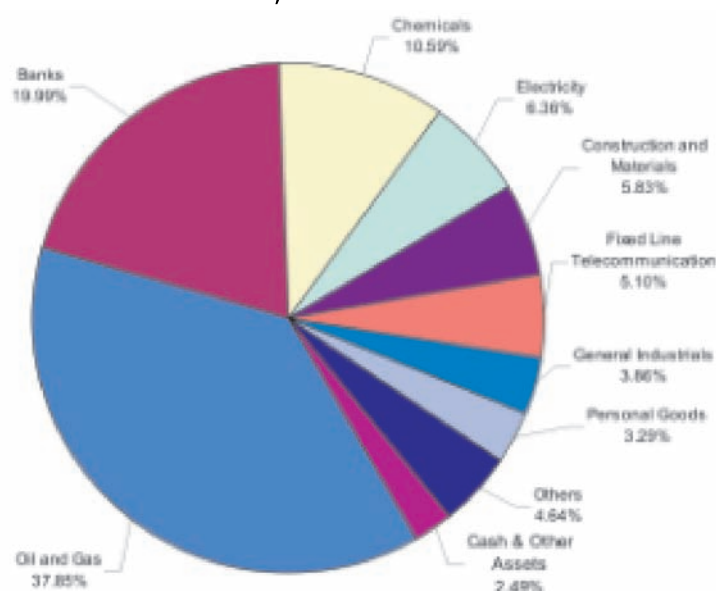
During the year, we remained more or less fully invested in equities

NAFA Stock Fund

After a lackluster performance during FY09, the stock market recovered during FY10. Overall during the year the KSE-30 Index gained by 26.22%. Key factors for the healthy performance of the stock market include: (i) significant foreign portfolio inflows at around US\$568 million; (ii) improved corporate earnings growth at 18%; (iii) improvement in the GDP growth rate to 4.1% from 1.2% in the previous year; (iv) continued IMF assistance and build-up in the country's forex reserves and stability in the exchange rate; and (v) improvement in the external account.

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. NAFA Stock Fund does not have any soft commission arrangement with any broker in the industry.

The asset allocation of the Fund as on June 30, 2010 is as follows



Income Distribution for the Financial Year 2010

Dividend % of Par Value	Cumulative Dividend Price Per Unit (Rs.)	Ex-Dividend Price Per Unit (Rs.)
9.163%	7.0844	6.1681

NAFA Stock Fund

Pattern of Unit Holders for NAFA STOCK FUND as on June 30, 2010

Size of Unit holding (Units)		# of Unit Holders
1	1,000	304
1,001	5,000	535
5,001	10,000	300
10,001	50,000	416
50,001	100,000	86
100,001	500,000	83
500,001	1,000,000	10
1,000,001	5,000,000	12
5,000,001	10,000,000	1
10,000,001	100,000,000	4

Total:

1,751

NAFA Stock 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** (Formerly National Fullerton Asset Management Limited) (the Management Company) of **NAFA Stock Fund** to comply with the Listing Regulation No. 35 (Chapter XI) of The Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the 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 Listing Regulation No. 35 notified by The Lahore Stock Exchange (Guarantee) Limited 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 above requirements 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, 2010.

A.F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: September 15, 2010

NAFA Stock Fund

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Stock Fund** which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year ended June 30, 2010 and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 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 state of the financial position of NAFA Stock Fund as of June 30, 2010 and of its financial performance and cash flows for the year ended June 30, 2010 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 Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Rashid A. Jafer
Dated: September 15, 2010
Karachi.

NAFA Stock Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2010

	Note	2010	2009
(Rupees in '000)			
ASSETS			
Balances with banks	4	22,404	15,971
Receivable against sale of investments		-	24,624
Investments	5	935,270	1,297,090
Dividend and profit receivable	6	4,979	6,171
Deposits, prepayments and other receivables	7	3,740	7,251
Preliminary expenses and floatation costs	8	778	1,278
Total assets		967,171	1,352,385
LIABILITIES			
Payable to the Management Company	9	2,715	4,355
Payable to the Trustee	10	155	190
Payable to the Securities and Exchange Commission of Pakistan	11	1,209	1,415
Payable against purchase of investments		-	13,960
Payable on redemption of units		7	510
Accrued expenses and other liabilities	12	3,947	644
Total liabilities		8,033	21,074
NET ASSETS		959,138	1,331,311
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		959,138	1,331,311
CONTINGENCIES AND COMMITMENTS	14		
Number of units			
Number of units in issue		135,386,588	219,381,541
Rupees			
NET ASSET VALUE PER UNIT	13	7.0844	6.0685

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Chairman

NAFA Stock Fund

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
(Rupees in '000)			
INCOME			
Gain / (loss) on sale of investments - net		264,593	(978,418)
Income from Continuous Funding System (CFS)		-	925
Profit on bank deposits		6,659	10,715
Dividend income		51,386	64,243
Unrealised diminution in the value of investments carried at fair value through profit or loss - net	5.2	(27,851)	(71,138)
Total income / (loss)		<u>294,787</u>	<u>(973,673)</u>
EXPENSES			
Remuneration of the Management Company		38,192	43,585
Remuneration of the Trustee		2,268	2,447
Annual fee - Securities and Exchange Commission of Pakistan		1,209	1,416
Securities transaction cost		14,161	5,418
Settlement and bank charges		1,066	716
Annual listing fee		30	30
Legal & Professional charges		80	-
Auditors' remuneration	15	375	375
Fund rating fee		100	61
Amortisation of preliminary expenses and floatation costs	8	500	500
Printing charges		627	887
Total Expenses		<u>58,608</u>	<u>55,435</u>
Net Income / (loss) from operating activities		<u>236,179</u>	<u>(1,029,108)</u>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(95,819)	(88,366)
Provision for Workers' Welfare Fund	16	(2,808)	-
Net Income / (loss) for the year before taxation		<u>137,552</u>	<u>(1,117,474)</u>
Taxation	17	-	-
Net income / (loss) for the year after taxation		<u>137,552</u>	<u>(1,117,474)</u>
Earnings per unit	18		

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chief Executive

Chairman

NAFA Stock Fund

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in '000)	
Net income / (loss) for the year after taxation	137,552	(1,117,474)
Other Comprehensive Income	-	-
Total comprehensive income / (loss) for the year	<u>137,552</u>	<u>(1,117,474)</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Chairman

NAFA Stock Fund

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in '000)	
(Accumulated loss) / undistributed income brought forward	(922,964)	273,082
Final distribution of Rs Nil for the year ended June 30, 2009 (2008: 3.022%)		
- Bonus units	-	(55,991)
- Cash distribution	-	(11,614)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	330,226	(10,967)
Income / (loss) for the year	137,552	(1,117,474)
Accumulated loss carried forward	<u>(455,186)</u>	<u>(922,964)</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Chairman

NAFA Stock Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in '000)	
Net assets at the beginning of the year	1,331,311	2,565,736
Issue of 76,736,037 units (2009: 128,524,575 units)	557,199	856,761
Redemption of 160,730,990 units (2009: 137,961,586 units)	(1,162,743) (605,544)	(1,050,464) (193,703)
Issue of bonus units for the year ended June 30, 2009: Nil (2008: 3.022%)	-	55,991
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (accrued income) / losses and capital (gains) / losses transferred to Income Statement	95,819	88,366
- amount representing (income) / losses that form part of the unit holders' fund transferred to Distribution Statement	(330,226) (234,407)	10,967 99,333
Unrealised diminution in the value of investments carried at fair value through profit or loss - net	(27,851)	(71,138)
Capital gain / (loss) on sale of investments - net	264,593	(978,418)
Other net loss for the year after taxation	(99,190)	(67,918)
Final distribution for the year ended June 30, 2009: Nil		
- Bonus units	-	(55,991)
- Cash distribution	-	(11,614)
	137,552	(1,185,079)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	330,226	(10,967)
Net assets at the end of the year	959,138	1,331,311

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chief Executive

Chairman

NAFA Stock Fund

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Income / (loss) for the year before taxation		137,552	(1,117,474)
Adjustments			
Unrealised diminution in the value of investment carried at fair value through profit and loss - net		27,851	71,138
Amortisation of preliminary expenses and floatation costs		500	500
Element of (income) / loss and capital (gains)/losses included in prices of units issued less those in units redeemed		95,819	88,366
		<u>261,722</u>	<u>(957,470)</u>
(Increase) / decrease in assets			
Receivable against sale of investments		24,624	73,425
Investments		333,969	511,616
Advances, deposits and prepayments		3,511	(3,590)
Dividend and profit receivable		1,192	7,881
		<u>363,296</u>	<u>589,332</u>
Increase / (decrease) in liabilities			
Payable to the Management Company		(1,640)	(20,026)
Payable to the Trustee		(35)	(107)
Payable to the Securities and Exchange Commission of Pakistan		(206)	(674)
Payable against purchase of investments		(13,960)	8,278
Accrued expenses and other liabilities		3,303	(421)
		<u>(12,538)</u>	<u>(12,950)</u>
Net cash generated from / (used in) operating activities		<u>612,480</u>	<u>(381,088)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Net receipts from issue of units		557,199	856,761
Net payments on redemption of units		(1,163,246)	(1,069,524)
Distributions made		-	(11,614)
Net cash used in financing activities		<u>(606,047)</u>	<u>(224,377)</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>6,433</u>	<u>(605,465)</u>
Cash and cash equivalents at the beginning of the year		15,971	621,436
Cash and cash equivalents at the end of the year		<u><u>22,404</u></u>	<u><u>15,971</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.

4

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Chairman

NAFA Stock Fund

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Stock Fund (NSF) ('the Fund') was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) (formerly National Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on December 06, 2006 and was approved 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).

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

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

The core objective of the Fund, being an equity scheme, is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2-' to the Management Company and a short term performance rating of 2-Star to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the 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 requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the 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 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- a) International Accounting Standard (IAS) 1 (revised) 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position (referred to as the statement of assets and liabilities in these financial statements) as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present two separate performance statements. As a result, non-owner changes in equity which were previously credited directly in the statement of movement in unit holders' fund are now shown as comprehensive income in the performance statement (referred to as the statement of comprehensive income in these financial statements). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods. Comparative information has been re-presented so that it is also in conformity with the revised standard.

- b) International Financial Reporting Standard (IFRS) 7 (amendment) 'Financial instruments: Disclosures' (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment has resulted in certain additional disclosures but does not have an impact on the Fund's financial position or performance.

NAFA Stock Fund

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

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

- a) IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from January 1, 2009). The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have any impact on the Fund's financial statements.
- b) IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular feature is that apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. In this connection, Regulation 63 of the NBFC Regulations mandates the payment of 90% of the Fund's profit for the year as dividend, therefore the amendment has not changed the classification of units in the financial statements.
- c) There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or to have a significant effect on the Fund's operations and are therefore not detailed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Fund's accounting periods beginning on or after July 1, 2010:

- (a) IAS 7 (Amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Fund's financial statements.
- (b) IAS 24 related party Disclosures (revised) (effective from January 01, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

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

2.5 Critical accounting estimates and judgments

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 judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (notes 3.2 and 5).

2.6 Accounting convention

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

2.7 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 to all the years presented except as explained in note 2.2 to these financial statements.

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 and bank overdrafts.

NAFA Stock Fund

3.2 Financial assets

3.2.1 Classification

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

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in the 'Financial assets at fair value through profit or loss' category.

b) Loans and receivables

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

c) Available for sale

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

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 expensed in the income statement.

3.2.4 Subsequent measurement

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

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

Effective July 1, 2009, net gains and losses arising on changes in fair value of available for sale financial assets are taken to other comprehensive income in the Statement of Comprehensive Income until the available for sale financial assets are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in other comprehensive income is reclassified from other comprehensive income to the Income Statement as a reclassification adjustment. Previously, net gains and losses arising on changes in fair value of available for sale financial assets were taken directly to the Statement of the Movement in Unit Holders' Fund until the available for sale financial assets were derecognised or impaired at which time the cumulative gain or loss recognised in Unit Holders' Fund was transferred to the Income Statement.

Subsequent to initial recognition, Loans and receivables are carried at amortised cost using the effective interest rate method.

3.2.5 Spread transactions (Ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in the ready market is classified as "Investment at fair value through profit or loss" and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement in accordance with the requirements of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement".

3.2.6 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered 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 the Income Statement is reclassified from the Statement of Comprehensive Income to the Income Statement. Impairment losses recognised on equity instruments are not reversed through the Income Statement.

NAFA Stock Fund

For financial assets classified as 'loans and receivable', 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 original terms. The amount of the provision is the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.2.7 Derecognition

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

3.2.8 Offsetting of financial assets and 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. They are initially recognised at fair value and subsequently stated at amortised cost.

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

Financial liabilities carried on the Statement of Assets and Liabilities include payable to the Management Company, payable to the Trustee, payable against redemption of units and accrued expenses and other liabilities.

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 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.

3.7 Taxation

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

The Fund is 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.

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.

3.8 Proposed distributions

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

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours 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 a rate of three percent of net asset value per unit. Transaction costs are recorded as the income of the fund.

NAFA Stock Fund

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, 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.

3.11 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.
- Dividend income is recognised when the right to receive the payment is established.
- 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 and placements is recognised on an accrual basis.

NAFA Stock Fund

	Note	June 30, 2010	June 30, 2009
-----Rupees in '000-----			
4 BALANCES WITH BANKS			
Current accounts		698	735
Savings accounts	4.1	<u>21,706</u>	<u>15,236</u>
		<u>22,404</u>	<u>15,971</u>
4.1	These accounts carry profit at rates ranging from 5% to 12% (2009: 5% to 15%) per annum.		
	Note		
5 INVESTMENTS			
-----Rupees in '000-----			
At fair value through profit or loss - held for trading			
Investments in shares of listed companies	5.1	<u>935,270</u>	<u>1,297,090</u>
		<u>935,270</u>	<u>1,297,090</u>

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

Name of the investee company	As at July 1, 2009	Purchases during the period	Bonus / right shares	Sales during the period	As at June 30, 2010	Market Value as at June 30, 2010	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
-----Number of shares-----						Rupees in '000			
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.									
Financial Services									
Arif Habib Securities Limited	1,124,000	4,932,500	-	5,803,000	253,500	8,419	0.88	0.90	0.07%
Jahangir Siddiqui Company Limited	450,000	5,841,000	-	6,291,000	-	-	-	-	-
Commercial Banks									
Allied Bank Limited	-	1,166,048	86	902,000	264,134	15,042	1.57	1.61	0.03%
Askari Bank Limited	-	480,000	-	480,000	-	-	-	-	-
Bank Al-Falah Limited	-	13,846,000	-	13,846,000	-	-	-	-	-
Bank Al Habib Limited	-	1,779,823	181,000	1,211,100	749,723	23,616	2.46	2.53	0.10%
Bank Islami Pakistan Limited	-	1,900,000	-	1,900,000	-	-	-	-	-
Habib Bank Limited	-	563,000	-	563,000	-	-	-	-	-
Habib Metropolitan Bank Limited	-	420,946	67,352	-	488,298	11,670	1.22	1.25	0.06%
MCB Bank Limited	869,260	2,436,228	45,940	2,796,900	554,528	107,684	11.23	11.51	0.07%
Meezan Bank Limited	-	90,500	4,525	95,000	25	-	-	-	-
National Bank of Pakistan	584,230	5,710,665	72,166	6,142,730	224,331	14,380	1.50	1.54	0.02%
United Bank Limited	1,436,990	6,397,952	65,804	7,543,700	357,046	19,355	2.02	2.07	0.03%
Non Life Insurance									
Adamjee Insurance Company Limited	279,500	901,000	-	1,180,500	-	-	-	-	-
EFU General Insurance Company Limited	-	205,110	-	205,110	-	-	-	-	-
Pakistan Reinsurance Company Limited	-	115,000	-	115,000	-	-	-	-	-
Personal Goods									
AMTEX Limited	-	1,061,366	-	-	1,061,366	12,248	1.28	1.31	0.44%
Azgard Nine Limited (Non-voting)	806,400	-	-	-	806,400	19,346	2.02	2.07	1.24%
Azgard Nine Limited	957,000	3,346,000	-	4,303,000	-	-	-	-	-
Nishat Mills Limited	-	1,526,200	141,300	1,667,476	24	1	-	-	-
Food Producers									
Shakarganj Mills Limited	-	6,500	-	6,500	-	-	-	-	-
General Industries									
Packages Limited	218,700	299,000	-	517,700	-	-	-	-	-
Tri Pack Films Limited	-	215,850	-	215,850	-	-	-	-	-
Thal Limited	-	354,264	35,302	-	389,566	36,985	3.86	3.95	0.76%
Balance Carried Forward					5,148,941	268,746	28.04	28.74	

NAFA Stock Fund

Name of the investee company	As at July 1, 2009	Purchases during the period	Bonus / right shares	Sales during the period	As at June 30, 2010	Market Value as at June 30, 2010	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
-----Number of shares-----					Rupees in '000				
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.									
Balance Brought Forward					5,148,941	268,746	28.04	28.74	
Construction & Materials									
Attock Cement Pakistan Limited	-	313,456	-	90,000	223,456	14,636	1.53	1.56	0.26%
D.G Khan Cement Company Limited	1,620,000	4,251,800	-	5,411,800	460,000	10,865	1.13	1.16	0.15%
Fauji Cement Company Limited	-	1,583,000	-	1,583,000	-	-	-	-	-
Kohat Cement Company Limited	-	2,445,000	-	2,445,000	-	-	-	-	-
Lucky Cement Limited	974,000	3,146,300	-	3,966,277	154,023	9,571	1.00	1.02	0.05%
Maple Leaf Cement Company Limited	-	6,805,101	-	6,805,101	-	-	-	-	-
Thatta Cement	-	1,000,000	-	-	1,000,000	20,880	2.18	2.23	1.25%
Electricity									
The Hub Power Company Limited	2,912,500	7,514,000	-	8,517,000	1,909,500	61,028	6.36	6.53	0.17%
Kot Addu Power Company Limited	-	271,500	-	271,500	-	-	-	-	-
Karachi Electric Supply Corporation Limited	-	500,000	-	500,000	-	-	-	-	-
Oil and Gas									
Attock Petroleum Limited	-	321,740	-	227,600	94,140	27,277	2.84	2.92	0.16%
Attock Refinery Limited	133,000	783,400	-	861,900	54,500	4,391	0.46	0.47	0.06%
Mari Gas Company Limited	-	107,000	-	107,000	-	-	-	-	-
National Refinery Limited	32,000	471,700	-	330,482	173,218	31,673	3.30	3.39	0.22%
Oil & Gas Development Company Limited	2,398,198	2,433,585	-	3,935,100	896,683	127,051	13.25	13.58	0.02%
Pakistan Oilfields Limited	342,780	1,940,100	-	1,987,780	295,100	63,712	6.64	6.81	0.12%
Pakistan Petroleum Limited	659,730	1,681,400	114,306	2,039,000	416,436	76,675	7.99	8.20	0.04%
Pakistan Refinery Limited	42,300	439,977	-	482,277	-	-	-	-	-
Pakistan State Oil Company Limited	511,600	828,101	-	1,215,700	124,001	32,265	3.36	3.45	0.07%
Shell Pakistan Limited	-	51,000	-	51,000	-	-	-	-	-
Industrial Engineering									
Al Ghazi Tractor Limited	-	33,856	-	1,528	32,328	6,540	0.68	0.70	0.15%
Automobile & Parts									
Indus Motor Company Limited	140,500	237,780	-	378,280	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	561,281	-	561,281	-	-	-	-	-
Media									
Eye Television Network Limited	908,509	2,270	-	50,000	860,779	19,987	2.08	2.14	1.72%
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	-	8,824,000	-	6,601,000	2,223,000	39,569	4.13	4.23	0.06%
Worldcall Telecom Limited	-	1,900,000	-	1,900,000	-	-	-	-	-
Wateem Telecom Limited	-	1,500,000	-	-	1,500,000	9,345	0.97	1.00	0.24%
Software and Computer Services									
Netsol Technologies Limited	-	3,737,400	-	3,357,400	380,000	9,504	0.99	1.02	0.53%
Chemicals									
Dawood Hercules Limited	-	56,500	-	56,500	-	-	-	-	-
Engro Corporation Limited	843,636	1,050,803	51,373	1,663,001	282,811	49,090	5.12	5.25	0.09%
Fatima Fertilizer Limited	-	1,916,000	-	1,916,000	-	-	-	-	-
Fauji Fertilizer Company Limited	263,670	1,207,000	-	963,670	507,000	208	0.02	0.02	0.07%
Fauji Fertilizer Bin Qasim Limited	1,584,500	4,548,000	-	6,124,500	8,000	52,257	5.45	5.58	0.00%
ICI Chemicals Pakistan Limited	-	38,000	-	38,000	-	-	-	-	-
Lotte Pakistan PTA Limited	-	1,475,000	-	1,475,000	-	-	-	-	-
Real Estate investment and services									
Pace (Pakistan) Limited	4,407,500	3,125,000	-	7,532,500	-	-	-	-	-
					16,743,916	935,270	97.52	100	
Carrying value as at June 30, 2010						963,121			

* The Face Value of shared held of Thal Limited is Rs.5

Investments include shares with market value of Rs 205.135 million (2009: Rs.136.354 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities & Exchange Commission of Pakistan.

NAFA Stock Fund

	Note	June 30, 2010	June 30, 2009
-----Rupees in '000-----			
5.2	Net unrealised diminution in value of investments classified as financial assets 'at fair value through profit or loss'		
	Market value of investments	935,270	1,297,090
	Less: carrying value of investments	(963,121)	(1,368,228)
		<u>(27,851)</u>	<u>(71,138)</u>
6	DIVIDEND AND PROFIT RECEIVABLE		
	Profit on savings deposits	608	314
	Dividend receivable on equity securities	4,371	5,857
		<u>4,979</u>	<u>6,171</u>
7	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Security deposits with:		
	-National Clearing Company of Pakistan Limited	3,500	3,500
	-Central Depository Company of Pakistan Limited	100	100
	Prepaid mutual fund rating Fee	-	75
	Other receivables	140	3,576
		<u>3,740</u>	<u>7,251</u>
8	PRELIMINARY EXPENSES AND FLOATATION COSTS		
	Opening balance	8.1	1,278
	Preliminary expenses and floatation costs incurred	-	-
	Less: amortisation during the year	500	500
	Balance as at June 30	<u>778</u>	<u>1,278</u>
8.1	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from January 20, 2007 as per the requirements set out in the Trust Deed of the Fund.		
9	PAYABLE TO THE MANAGEMENT COMPANY		
-----Rupees in '000-----			
	Management fee		
	Front-end Load Payable	9.1	2,340
	Others		375
			3,257
			1,098
			-
		<u>2,715</u>	<u>4,355</u>
9.1	Under the provisions of the NBFC Regulations, 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. Management fee is currently being calculated at the rate of 3 percent of the average annual net assets of the Fund and is paid to the Management Company monthly in arrears.		
10	PAYABLE TO THE TRUSTEE		
-----Rupees in '000-----			
	Trustee fee	10.1	155
			190
10.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.		
	Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2010 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	
11	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
-----Rupees in '000-----			
	Annual Fee	11.1	1,209
			1,415
11.1	Under the provisions of the NBFC Regulations, a collective investment scheme is required to pay an annual fee to SECP at an amount equal to 0.095 percent of the average annual net assets of the fund.		

NAFA Stock Fund

	Note	June 30, 2010	June 30, 2009
-----Rupees in '000-----			
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		260	240
Settlement charges payable		75	69
Bank charges		80	66
Workers' Welfare Fund payable		2,808	-
Others		724	269
		<u>3,947</u>	<u>644</u>

13 NET ASSET VALUE PER UNIT

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

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2010 and 2009.

15 AUDITORS' REMUNERATION

	Year ended June 30, 2010	Year ended June 30, 2009
-----Rupees in '000-----		
Audit fee	235	235
Half yearly review	95	95
Out of pocket expenses	45	45
	<u>375</u>	<u>375</u>

16 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 (Ordinance of 1969) applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP) was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The Judgment recognises that the Trusts are covered by the scope of the definition of commercial establishment as contained in Ordinance of 1969 and, therefore, mutual funds and other funds appear to be covered unless it can be established that they fall within the scope of exemption set out in Section 5(1)(iii) of the Ordinance of 1969 i.e. the Trusts not run for profit or in the course of business does not make any profit. This could be examined when the aggrieved parties directly approached the Court for redressal.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A - II)11.(5)/2010 dated July 8, 2010 and July 15, 2010, has clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are liable to contribute towards the said WWF levy.

Various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the fund and the letter issued by the Ministry of Labour, Government of Pakistan has no legal significance.

Because of ambiguity created based on conflicting opinions by lawyers and as a matter of abundant caution the Management Company of the Fund has decided to recognize a provision for WWF 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 more than 90 percent of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

18 EARNINGS PER UNIT

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

	-----2010-----			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
19 FINANCIAL INSTRUMENTS BY CATEGORY				
Assets				
Balances with Banks	22,404	-	-	22,404
Receivable against sale of investments	-	-	-	-
Investments	-	935,270	-	935,270
Dividend and profit receivable	4,979	-	-	4,979
Deposits and other receivables	3,740	-	-	3,740
	<u>31,123</u>	<u>935,270</u>	<u>-</u>	<u>966,393</u>

NAFA Stock Fund

Liabilities	-----2010-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
Payable to the Management Company	-	2,715	2,715
Payable to Central Depository Company of Pakistan Limited - Trustee	-	155	155
Payable against purchase of investments	-	-	-
Payable on redemption of units	-	7	7
Accrued expenses and other liabilities	-	1,139	1,139
	-	4,016	4,016

Assets	-----2009-----			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	-----Rupees in '000-----			
Balances with Banks	15,971	-	-	15,971
Receivable against sale of investments	24,624	-	-	24,624
Investments	-	1,297,090	-	1,297,090
Dividend and profit receivable	6,171	-	-	6,171
Deposits and other receivables	7,251	-	-	7,251
	54,017	1,297,090	-	1,351,107

Liabilities	-----2009-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
Payable to the Management Company	-	4,355	4,355
Payable to Central Depository Company of Pakistan Limited - Trustee	-	190	190
Payable against purchase of investments	-	13,960	-
Payable on redemption of units	-	510	510
Accrued expenses and other liabilities	-	644	644
	-	19,659	5,699

20 TRANSACTIONS WITH CONNECTED PERSONS

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

20.2 On March 31, 2010, NIB sold out its shareholding of NAFA to NBP. Accordingly, thereafter NIB is no longer a connected person for the Fund.

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

20.4 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.

20.5 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC regulation and the Trust Deed.

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

NBP Fullerton Asset Management Limited - Management Company (Formerly National Fullerton Asset Management Limited)

	-----Rupees in '000-----	
Management fee expense for the year	38,192	43,585
Front End Load	2,878	7,199

National Bank of Pakistan - Sponsor

Cash Distribution	-	2,267
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NIB Bank Limited (previously a sponsor)

Income on bank deposits till March 31, 2010	509	1,567
Units redeemed / transferred out (7,500,000 units; 2009: Nil units)	59,395	-
Cash Distribution	-	2,267

NAFA Stock Fund

	2010	2009
	-----Rupees in '000-----	
Alexandra Fund Management Pte. Limited - Sponsor		
Bonus units issued (Nil units; 2009: 328,048 units)		
Chief Executive Officer		
Units issued / transferred in (759,647 units; 2009: 49,864 units)	5,000	300
Units redeemed / transferred out (809,511 units ; 2009: Nil units)	6,186	-
Employees of the Management Company		
Units issued / transferred in (6,664,580 units; 2009: 7,822,264 units)	48,640	50,495
Units redeemed / transferred out (6,783,448 units; 2009: 8,940,816 units)	49,440	61,943
Bonus units issued (Nil units; 2009: 41,584 units)		
Chief Financial Officer		
Units issued / transferred in (169,910 units; 2009: 262,929 units)	2,016	1,652
Units redeemed / transferred out (282,725 units; 2009: 220,387 units)	1,034	1,851
Bonus units issued (Nil units; 2009: 2,561 units)		
NAFA Cash Fund		
Units issued / transferred in (Nil units 2009: 7,239,103 units)	-	75,000
Units redeemed / transferred out (Nil units 2009: 9,953,121 units)	-	96,587
Bonus units issued (Nil units; 2009: 375,925 units)		
NAFA Islamic Income Fund		
Units redeemed / transferred out (Nil units; 2009: 18,270 units)	-	164
Bonus units received (Nil units; 2009: 904 units)		
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	2,268	2,447
CDS Charges	512	332
NAFA Provident Fund Trust - Provident Fund		
Units Issued / Transferred in (1,371,149 units; 2009: 620,149 units)	9,984	3,300
Units redeemed / transferred out (1,472,379 units; 2009: Nil units)	10,757	
	2010	2009
	-----Rupees in '000-----	
Amounts outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company (Formerly National Fullerton Asset Management Limited)		
Management Fee Payable	2,340	3,257
Front-end Load Payable	375	1,098
National Bank of Pakistan - Sponsor		
Investment held by the sponsor in the Fund (7,500,000 units; 2009: 7,500,000 units)	53,133	45,514
Deposit held by the Fund with the Sponsor	694	282
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (12,444,856 units; 2009: 12,444,856 units)	88,164	75,522
Profit payable by the Fund on pre-IPO investment	-	-
Chief Executive Officer		
Investment held by the Chief Executive Officer (Nil units; 2009: 49,864 units)	-	303
Employees of the Management Company		
Investment held in the Fund (225,468 units; 2009: 489,884 units)	1,597	2,972
Chief Financial Officer		
Investment held in the Fund (Nil units; 2009: 112,815 units)	-	685
Central Depository Company of Pakistan Limited - Trustee		
Trustee Fee payable	155	190
CDS charges payable	75	69
Security Deposit	100	100
NAFA Provident Fund Trust - Provident Fund		
Investment held in the Fund (518,919 units; 2009:620,149 units)	3,676	3,763

NAFA Stock Fund

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No	----- As at June 30, 2010 -----		
	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	22
2	Sajjad Anwar*	MBA, CFA	10
3	Irfan Malik	MBA, CFA	13
4	Tanvir Abid	MBA, CFA	11
5	Ahmed Noman	EMBA, CFA	14

Sajjad Anwar is the Fund Manager of Nafa Stock Fund. He is also the Fund Manager of NAFA Multi Asset Fund and NAFA Islamic Multi Asset Fund.

22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

		2010
1	Jehangir Siddique Capital Market Limited	5.44%
2	Taurus Securities Limited	5.01%
3	Arif Habib Securities Limited	4.55%
4	KASB Securities Limited	4.51%
5	BMA Capital Management Limited	4.41%
6	Invisor Securities Private Limited	4.25%
7	Fortune Securities Private Limited	4.20%
8	Foundation Securities Limited	4.13%
9	Elixir Securities Limited	4.00%
10	AKD Securities Limited	3.61%
		2009
1	Fortune Securities (Private) Limited	8.89%
2	Taurus Securities Limited	8.62%
3	Moosani Securities (Private) Limited	7.35%
4	KASB Securities Limited	4.48%
5	Invest and Finance Securities (Private) Limited	4.28%
6	Invest Capital and Securities (Private) Limited	4.27%
7	Saao Capital	4.06%
8	Live Securities (Private) Limited	3.90%
9	Al falah Securities (Private) Limited	3.88%
10	IGI Finex Securities Limited	3.51%

23 PATTERN OF UNIT HOLDING

Category	2010		
	Number of unit holders	Investment amount	Percentage investment
	-----Rupees in '000-----		
Individuals	1,684	294,525	30.71%
Associated companies / Directors	3	144,973	15.11%
Insurance companies	2	2,915	0.30%
Bank / DFIs	1	119,537	12.46%
NBFCs	-	-	0.00%
Retirement funds	43	387,315	40.38%
Public Limited companies	7	3,662	0.38%
Others	11	6,211	0.65%
	<u>1,751</u>	<u>959,138</u>	<u>100%</u>

NAFA Stock Fund

Category	2009		
	Number of unit holders	Investment amount	Percentage investment
	-----Rupees in '000-----		
Individuals	2,534	448,090	33.66%
Associated companies / Directors	5	170,615	12.81%
Insurance companies	4	17,620	1.32%
Banks / DFIs	4	133,522	10.03%
NBFCs	-	-	0.00%
Retirement funds	63	432,877	32.52%
Public limited companies	11	49,800	3.74%
Others	17	78,787	5.92%
	<u>2,638</u>	<u>1,331,311</u>	<u>100%</u>

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 22nd, 23rd, 24th, 25th and 26th Board meetings were held on July 3, 2009, August 31, 2009, October 28, 2009, February 17, 2010 and April 29, 2010 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. Masood Karim Shaikh*	5	1	-	23rd, 24th, 25th, 26th meeting
Qamar Hussain	3	2	-	22nd, 23rd, 25th meeting
Dr. Amjad Waheed	5	5	-	-
Gerard Lee How Cheng	5	3	2	23rd, 26th meeting
Patrick Pang Chin	5	5	-	-
Shahid Anwar Khan	5	3	2	24th, 26th meeting
Raymond H. Kotwal	5	5	-	-
Syed Naseer Ul Hasan	5	5	-	-

* Mr. Masood Karim Shaikh retired from office on October 16, 2009.

** Mr. Qamar Hussain was elected as director on October 16, 2009.

25 FINANCIAL RISK MANAGEMENT

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

25.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

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

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

25.2 Currency risk

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

25.3 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. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates.

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.

NAFA Stock Fund

-----JUNE 30, 2010-----

Total	Exposed to Yield / Interest risk			Not exposed to Yield / Interest risk
	Upto three months	Over three months and upto one year	Over one year	

On-balance sheet financial instruments

Financial Assets

	-----Rupees in '000-----			
Balances with banks	22,404	21,706	-	698
Receivable against sale of investment	-	-	-	-
Investments	935,270	-	-	935,270
Dividend and profit receivable	4,979	-	-	4,979
Deposits and other receivable	3,740	-	-	3,740
	966,393	21,706	-	944,687

Financial Liabilities

Payable to the Management Company	2,715	-	-	-	2,715
Payable to the Trustee	155	-	-	-	155
Payable against purchase of investments	-	-	-	-	-
Payable against redemption of units	7	-	-	-	7
Accrued expenses and other liabilities	1,139	-	-	-	1,139
	4,016	-	-	-	4,016

On-balance sheet gap

	962,377	21,706	-	-	940,671
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-----2009-----

Total	Exposed to Yield / Interest risk			Not exposed to Yield / Interest risk
	Upto three months	Over three months and upto one year	Over one year	

On-balance sheet financial instruments

Financial Assets

	-----Rupees in '000-----				
Balances with banks	15,971	15,236	-	-	735
Receivable against sale of investment	24,624	-	-	-	24,624
Investments	1,297,090	-	-	-	1,297,090
Dividend and profit receivable	6,171	-	-	-	6,171
Advances and deposits	7,251	-	-	-	7,251
	1,351,107	15,236	-	-	1,335,871

Financial Liabilities

Payable to the Management Company	4,355	-	-	-	4,355
Payable to the Trustee	190	-	-	-	190
Payable against purchase of investments	13,960	-	-	-	13,960
Payable on redemption of units	510	-	-	-	510
Accrued expenses and other liabilities	644	-	-	-	644
	19,659	-	-	-	19,659

On-balance sheet gap

	1,331,448	15,236	-	-	1,316,212
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2010 2009
Percentage per annum

The rates of return on financial instruments are as follows:

Balances with banks	5.0 - 12.0	5.0 - 15.0
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25.4 Price Risk

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the trust deed. The Fund's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2010, net income for the year would increase / decrease by Rs 52.381 million (2009: Rs 62.325 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

NAFA Stock Fund

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 the 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, 2010 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

25.5 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities and receivable against sale of investments. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend 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.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2010 and June 30, 2009.

Bank balances by category	2010	2009
A1+	89.49%	86.04%
A-2	0.28%	0.20%
A-1+	8.46%	12.83%
A1	0.21%	0.29%
A-3	1.38%	0.51%
A-1	0.18%	0.13%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

25.6 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 credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

25.7 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 settlement of equity securities and 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 up to 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

The Fund did not withhold any redemptions during the year ended June 30, 2010.

NAFA Stock Fund

The table below analysis the Fund's financial 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, 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	2,715	2,715	-	-	
Payable to Central Depository Company of Pakistan Limited – Trustee	155	155	-	-	
Payable against purchase of investments	-	-	-	-	
Payable on redemption of units	7	7	-	-	
Accrued expenses and other liabilities	1,139	1,139	-	-	
	4,016	4,016	-	-	

June 30, 2009					
Total	Upto three months	More than three months and upto one year	More than one year		
-----Rupees in '000-----					
Liabilities					
Payable to National Fullerton Asset Management Limited – Management Company	4,355	4,355	-	-	
Payable to Central Depository Company of Pakistan Limited – Trustee	190	190	-	-	
Payable against purchase of investments	13,960	13,960	-	-	
Payable against redemption of units	510	510	-	-	
Accrued expenses and other liabilities	644	644	-	-	
	19,659	19,659	-	-	

25.8 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 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, either 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.

Investments of the Fund carried at fair value are categorised in the level 1 category.

26 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

NAFA Stock Fund

In accordance with the risk management policies stated in note 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

27 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 05, 2010 have approved a final distribution for the year ended June 30, 2010 at the rate of 9.163% (2009: Nil). The financial statements of the Fund for the year ended June 30, 2009 do not include the effect of this appropriation which will be accounted for in the financial statements of the Fund for the year ending June 30, 2011.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 25, 2010.

29 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. During the current year, there were no major reclassifications, except as required due to changes in accounting policies as more fully explained in note 2.2 to these financial statements.

30 GENERAL

30.1 Figures have been rounded off to the nearest thousand Rupees.

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

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Chairman

NAFA Stock Fund

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year ended June 30, 2008	For the period ended from January 15 to June 30, 2007
Net assets (Rs '000)	959,138	1,331,311	2,565,736	1,460,323
Net income (Rs '000)	137,552	(1,117,474)	(86,957)	442,474
Net Asset Value per unit (Rs)	6.1681	6.0685	11.1621	12.0871
Offer price per unit	6.3531	6.2506	11.2038	12.5175
Redemption price per unit	6.1681	6.0685	10.8599	12.0871
Highest offer price per unit (Rs)	7.1319	11.3508	14.6622	12.5183
Lowest offer price per unit (Rs)	5.5287	4.2803	10.4616	8.0038
Highest redemption price per unit (Rs)	6.9242	11.0202	14.2175	12.0879
Lowest redemption price per unit (Rs)	5.3677	4.1556	10.1393	7.7049
Total Return of the fund	16.74%	-45.63%	-2.65%	43.47%
Capital Growth	1.64%	-45.63%	-7.65%	20.87%
Income Distribution	15.10%	0.00%	5.00%	22.60%
Distribution				
Interim distribution per unit			0.3022	
Final distribution per unit	0.9163		0.3022	2.2600
Distribution dates				
Interim distribution	Nil	Nil	15-Apr-08	
Final distribution	5-Jul-10	Nil	3-Jul-08	5-Jul-07
Average annual return (Launch Date January 22, 2007)				
Since Inception to June 30, 2010	-11.84%			
Since Inception to June 30, 2009		-24.48%		
Since Inception to June 30, 2008			38.91%	
Since Inception to June 30, 2007				43.47%
Portfolio Composition (See Fund Manager report)				
Statement of past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up				