

Your  
Investment and  
**NAFA**  
grow together...

## NAFA CASH FUND

Annual Report 2006



*Managed by:*

National Fullerton Asset Management Limited

*A Joint Venture of*

FULLERTON FUND  
MANAGEMENT



# MISSION STATEMENT

To rank in the top quartile  
in performance of  
**NAFA Cash Fund**  
relative to the competition,  
and  
to consistently offer  
superior risk-adjusted  
returns to investors

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## FUND'S INFORMATION

### Management Company

National Fullerton Asset Management Limited.

### Board of Directors of the Management Company

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

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Sheikh Khalid Jamil	Member
Mr. Shahid Anwar Khan	Member

### Trustee

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

### Bankers to the Fund

Allied Bank Limited	Askari Commercial Bank Limited
Bank Alfalah Limited	Bank Al-Habib Limited
Habib Bank Limited	KASB Bank Limited
Muslim Commercial Bank Limited	My Bank Limited
National Bank of Pakistan	NIB Bank Limited
PICIC Commercial Bank Limited	Saudi Pak Commercial Bank Limited
Soneri Bank Limited	United Bank Limited

## Auditors

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

## Legal Advisor

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

## Head Office

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

## Lahore Office

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

## Islamabad Office

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



## REPORT OF THE DIRECTORS' OF THE MANAGEMENT COMPANY

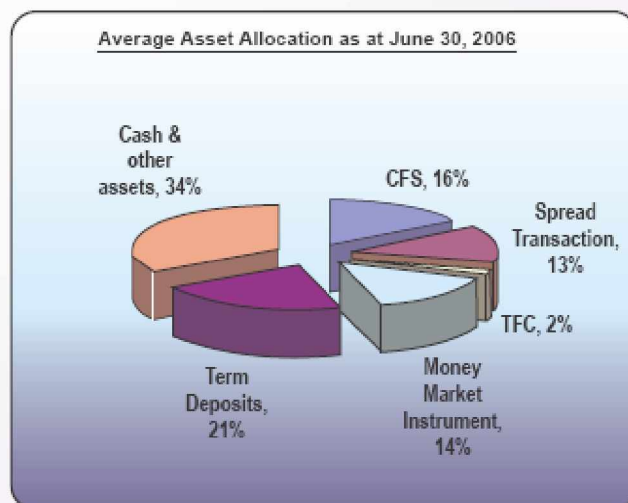
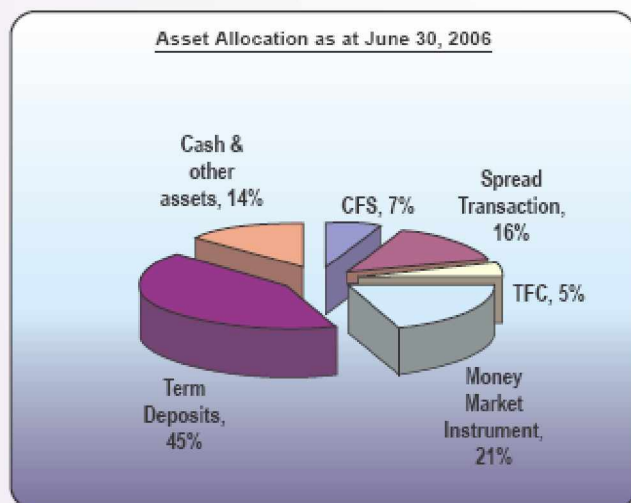
The Board of Directors of National Fullerton Asset Management Limited is pleased to present the first Annual Report of NAFA Cash Fund (NCF or the Fund) for the period from February 11, 2006 to June 30, 2006.

### Fund's Performance

NCF commenced its operations on April 22, 2006. Since launch, Net Assets have grown to Rs. 3.9 billion, with 380.2 million units outstanding as at June 30, 2006. This is an indication of the confidence that investors have shown in our sponsors and management.

NCF has earned a total income of Rs. 89.6 million for the period under review. After deducting total expenses of Rs. 16.7 million, net profit of Rs. 72.8 million was available for distribution, translating into earning per unit of 19 paise, equivalent to 10% annualized return. The Board has approved a distribution of Bonus Units @ 0.19 units for every 10 units of NCF.

NCF has no direct exposure to the stock market, but is invested in Term Finance Certificates (TFC), Continuous Funding System (CFS), Ready Future Spread (RFS), Bank Deposits, and Money Market Instruments. Asset allocation as of June 30, 2006, and average allocation since launch is as follows:



NCF is the fastest growing fund in the country and now enjoys 16% market share of the "income funds" category of mutual funds.

## Future Prospects

Over the last few months, due to decline in volume and interest in the stock market, CFS rates and RFS have dropped. As a result, we shifted asset allocation from CFS and RFS to short term, liquid money market instruments. We remain ready to shift our asset allocation as and when the rate of return improves on RFS and CFS. During the last month, NCF has increased its investment in Term Finance Certificates (TFC) to 4% of the portfolio. This ratio is expected to increase further in next 2-3 months.

Since launch of the Fund, NAFA Cash Fund unit price has not experienced a drop of even one paisa on any day. It is our endeavor to maintain this trend. Following increased exposure to TFCs, CFS and RFS, we expect the return on the Fund to improve further in the coming months.

## Auditors' Qualifications

The auditors have qualified their opinion on two grounds:

### (i) Ready Future Spread (RFS)

The auditors are of the opinion that in accordance with the International Accounting Standard (IAS) – 39, both the purchases and sales transactions are to be valued on mark-to-market basis. The resultant spread after revaluation of both purchase and sales should be accounted for as gain or loss while arriving at daily NAV. However, since the management's intention is to hold the spread transaction till its maturity to earn a fixed spread irrespective of market prices, therefore, it recognizes a fixed spread over the investment period. The management believes that the accounting policy adopted by the Fund protects the interest of the unit holders as it avoids volatility in the Net Assets Value of the Fund.

### (ii) Valuation of Term Finance Certificates

The NBFC Rules requires the valuation of TFCs on the basis of prices quoted on the stock exchange. In management's view, TFCs quoted on stock exchange are neither actively traded on the exchange nor the quotes available are indicative of fair value of the underlying security. In such cases, IAS – 39 provides for price adjustment in published quotes to reflect reliable measure of fair value. Therefore, the Fund values its portfolio of quoted TFCs on the basis of average quotes available from reputable brokerage houses dealing in money market transactions. The management believes that the accounting policy adopted by the Fund ensures the correct reflection of daily Net Asset Value of the Fund.

## Auditors

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



## Pattern of Unit-holders

The pattern of Unit-holding as on June 30, 2006 is annexed to these financial statements.

## Directors' Statement in Compliance with Code of Corporate Governance

This part of the Directors' report to unit-holders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements, prepared by the management company of NAFA Cash 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 Cash 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 Cash Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. The Board of Directors of National Fullerton Asset Management Limited held five meetings during the current financial year. The attendance of all directors is appended below:

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



## Acknowledgement

The Board takes this opportunity to thank its valued unit-holders and investors for their confidence and patronage. It would like to place on record its appreciation for the help and guidance provided by Securities & Exchange Commission of Pakistan, and State Bank of Pakistan.

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

On behalf of the Board of  
National Fullerton Asset Management Limited

**Dr. Amjad Waheed**  
Chief Executive Officer

**Masood Karim Shaikh**  
Chairman

Date: July 21, 2006

Place: Karachi.

## REPORT OF THE TRUSTEE PURSUANT TO RULE 76(H) OF THE NON-BANKING FINANCE COMPANIES (ESTABLISHMENT AND REGULATION) RULES, 2003.

The NAFA Cash Fund, an open-end fund was established under a trust deed executed between National Fullerton Asset Management Limited as the Asset Management Company and Central Depository Company of Pakistan Limited as the Trustee on February 11, 2006. The scheme was authorized by Securities and Exchange Commission of Pakistan (SECP) on February 27, 2006.

In our opinion, National Fullerton Asset Management Limited, the Management Company of NAFA Cash Fund has in all material respects managed NAFA Cash Fund during the period from February 11, 2006 to June 30, 2006 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

For the purpose of information, the attention of Unit Holders is drawn towards point 'c' and 'd' of the Auditor's report wherein it is specified that spread transactions have not been accounted for in the financial statements in accordance with International Accounting Standard-39 and Term Finance Certificates have been valued on the basis of average rates quoted by three brokerage houses instead of the closing rate quoted on stock exchange in accordance with Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: September 12, 2006

**Mohammad Hanif Jakhura**

Chief Executive Officer

Central Depository Company of Pakistan Limited

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM FEBRUARY 11, 2006 TO JUNE 30, 2006.

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

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

NAFA Cash Fund is an open ended mutual fund and was listed on Lahore Stock Exchange on April 24, 2006. The units of the Fund have been offered for public subscription on a continuous basis from April 17, 2006.

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven directors including six independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred in the Board during the period from February 11, 2006 to June 30, 2006.
5. The 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 company.
6. The Board has developed a vision/mission statement, over all corporate strategy and significant policies of the company. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the period. Written notices of the Board meetings, along with agenda and working

papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All the members of the Board are well aware of operations of the fund and the Management Company, therefore no orientation courses were arranged during the period February 11, 2006 to June 30, 2006.
10. The Board has approved the appointment of CFO and Company Secretary including his remuneration and term and conditions of employment as determined by the CEO.
11. Directors Report for the period February 11, 2006 to June 30, 2006 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in notes 19 to the financial statements "Transactions with Connected Persons/Related Parties".
14. The Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the Fund, as required by the code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.
17. There exist an effective internal audit function within the company.
18. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The Statutory Auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Dated: July 21, 2006  
Karachi

**Dr. Amjad Waheed**  
Chief Executive Officer

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of National Fullerton Asset Management Limited, Management Company of NAFA Cash Fund to comply with the Listing Regulation No. 43 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 personnel of the Management Company and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period ended June 30, 2006.

Dated : September 12, 2006  
Karachi

A.F. Ferguson & Co  
Chartered Accountants



## AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the annexed statement of assets and liabilities of the NAFA Cash Fund as at June 30, 2006 and the related income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, for the period from February 11, 2006 to June 30, 2006 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Management Company to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- (a) In our opinion, proper books of accounts have been kept by the Management Company in respect of the NAFA Cash Fund as required by the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- (b) In our opinion, the statement of assets and liabilities, the income statement, distribution statement, and statement of movement in unit holders' funds have been drawn up in conformity with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and are in agreement with the books of account and are further in accordance with the accounting policies stated in note 3;
- (c) As explained in note 5.1 to the financial statements, the Fund considers transactions involving purchase of an equity security in the ready market and sale of the same security in the forward 'futures' market, as 'spread transactions' and records it by deleting the cost of investments from the books and recording the receivable based on the forward sale price. The difference between these two amounts is taken to the Income Statement over the period of the forward transaction. However, under International Accounting Standard (IAS) 39, 'Financial Instruments – Recognition and Measurement', the securities purchased by the Fund are required to be carried on the Statement of Assets and Liabilities at their market value till their eventual disposal and the forward sales of securities in the futures market are required to be treated as separate 'derivative' transactions, and carried at their fair values. Had the spread transactions been accounted for in the financial statements of the Fund in accordance with IAS 39, the net income for the period ended June 30, 2006 would have been higher by Rs. 170,673 with a corresponding impact on the Net Asset Value (NAV) of the Fund. In addition, the

Fund would have recorded certain assets and liabilities as more fully explained in note 5.1 to the financial statements. Further, the NAV of the Fund during the period ended June 30, 2006 and consequently the number of units issued as well as the net element of income and capital gains included in units issued less those in units redeemed by the Fund during the period would also have been different. These effects have not been quantified, as it was impracticable to do so.

- (d) The management does not revalue its investment of the Fund in Term Finance Certificates (TFC) on a daily basis. However, the investment of the Fund in TFCs was revalued as at June 30, 2006 using the average of the rates quoted by three brokerage houses. In this connection Rule 2 (xxxiv) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) requires these investments to be revalued using the rates quoted on the stock exchanges on which these investments are listed. Had the investment of the Fund in TFCs been revalued on the basis of rates quoted on the Karachi Stock Exchange (Guarantee) Limited as at June 30, 2006 (after adjusting the stock exchange value for redemptions), the investment and the Net Asset Value (NAV) of the Fund, as at this date, would have been lower by Rs. 128,824. In addition, the NAV calculation of the Fund and consequently the calculations of number of units issued as well as the net element of income and capital gains included in units issued less those in units redeemed by the Fund, during the period would also have been different. These effects have not been quantified, as it was impracticable to do so.
- (e) Except for the effects of the matters stated in paragraphs (c) and (d) above, in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, give the information required by the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at June 30, 2006 and of the transactions of the Fund for the period then ended.



## STATEMENT OF ASSETS AND LIABILITIES as at June 30, 2006

	Note	(Rupees in '000)
<b>Assets</b>		
Balances with banks	4	2,111,086
Receivable against Continuous Funding System (CFS) transactions		242,492
Receivable against spread transactions	5	557,083
Investments	6	170,635
Loans and receivables	7	760,000
Security deposits	8	1,100
Income receivable	9	44,768
Preliminary expenses and floatation costs	10	2,404
<b>Total assets</b>		<b>3,889,568</b>
<b>Liabilities</b>		
Accrued expenses and other liabilities	11	1,039
Payable to National Fullerton Asset Management Limited - Management Company	12	13,068
Payable to Central Depository Company of Pakistan Limited - Trustee	13	411
Payable to Securities and Exchange Commission of Pakistan - Annual fee	14	681
<b>Total liabilities</b>		<b>15,199</b>
<b>Net assets</b>		<b>3,874,369</b>
Unit holders' funds (as per statement attached)		3,874,369
<b>Commitments</b>	15	
Number of units in issue		380,152,449
Net Asset Value per unit		Rupees 10.19

The annexed notes 1 to 26 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman

## INCOME STATEMENT for the Period from February 11, 2006 to June 30, 2006

	Note	(Rupees in '000)
Income		
Profit on bank deposits	16	38,625
Income from Continuous Funding System (CFS) transactions		16,538
Income from spread transactions		13,954
Income from Term Finance Certificates		2,132
Income on certificates of deposit and clean placements		11,931
Unrealised gain on investments at fair value through profit or loss - net	6.3	129
<b>Total Income</b>		<b>83,309</b>
Expenses		
Remuneration of National Fullerton Asset Management Limited – Management Company		10,222
Remuneration of Central Depository Company of Pakistan Limited - Trustee		873
Brokerage		4,355
Annual fee - Securities and Exchange Commission of Pakistan		681
Annual listing fee		15
Settlement charges		268
Financial charges		54
Auditors' remuneration	17	200
Amortisation of preliminary expenses and floatation costs	10	96
<b>Total Expenses</b>		<b>16,764</b>
<b>Net income from operating activities</b>		<b>66,545</b>
Element of income and capital gains included in prices of units issued less those in units redeemed		6,299
<b>Net income for the period</b>		<b>72,844</b>
Earnings per unit	18	

The annexed notes 1 to 26 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman



## DISTRIBUTION STATEMENT for the Period from February 11, 2006 to June 30, 2006

(Rupees in '000)

Net income for the period

72,844

Undistributed income carried forward

72,844

The annexed notes 1 to 26 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS for the Period from February 11, 2006 to June 30, 2006

	Note	(Rupees in '000)
Issue of 576,515,198.5 units		5,799,288
Redemption of 196,362,749.83 units		(1,991,464)
		<u>3,807,824</u>
Element of income and capital gains included in prices of units issued less those in units redeemed		(6,299)
Net unrealised appreciation in the value of investments classified as 'financial assets at fair value through profit or loss'	6.3	129
Net income from operations		72,715
Net income for the period		72,844
Net assets as at the end of the period		<u><u>3,874,369</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman

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## CASH FLOW STATEMENT for the Period from February 11, 2006 to June 30, 2006

(Rupees in '000)

### CASH FLOW FROM OPERATING ACTIVITIES

Net income for the period	72,844
Adjustments	
Unrealised gain on investments at fair value through profit or loss - net	(129)
Amortisation of preliminary expenses and floatation costs	96
Element of income and capital gains included in prices of units issued less those in units redeemed	(6,299)
	66,512
Increase in assets	
Receivable against Continuous Funding System (CFS) transactions	(242,492)
Receivable against spread transactions	(557,083)
Investments	(170,506)
Loans and receivables	(760,000)
Security deposits	(1,100)
Income receivable	(44,768)
	(1,775,949)
Increase in liabilities	
Accrued expenses and other liabilities	1,039
Payable to National Fullerton Asset Management Limited - Management Company	10,568
Payable to Central Depository Company of Pakistan Limited - Trustee	411
Payable to Securities and Exchange Commission of Pakistan - Annual fee	681
	12,699
Net cash outflow on operating activities	(1,696,738)
CASH FLOW FROM FINANCING ACTIVITIES	
Net receipts from issue of units	5,799,288
Net payments on redemption of units	(1,991,464)
	3,807,824
Net increase in cash and cash equivalents during the period	2,111,086
Opening cash and cash equivalents	-
Cash and cash equivalents as at June 30, 2006	2,111,086

The annexed notes 1 to 26 form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS for the Period from February 11, 2006 to June 30, 2006

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

The core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return by investing primarily in money market and debt securities having a good credit rating and liquidity.

### 2 STATEMENT OF COMPLIANCE

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

#### 2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise 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 are as follows:

- i) Classification and valuation of investments (note 6)
- ii) Amortisation of preliminary expenses and floatation costs (note 10)





### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Accounting convention

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

#### 3.2 Investments

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

##### Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold till maturity.

##### Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'Available for sale'. Subsequent to initial measurement, 'Available for sale' investments are re-measured to fair value based on the closing quoted market rates ruling at the day-end. Net gains and losses arising on changes in fair values of these investments are taken to equity as part of Unit holders' Funds. When these securities are disposed off or impaired, the related fair value adjustments previously taken to equity are transferred to the Income Statement.

##### Financial assets at fair value through profit or loss

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

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

#### 3.3 Loans and receivables

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

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

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention such as 'T+3' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset. The CFS transactions are accounted for on the settlement date.



The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the respective transactions. Transaction costs are included in the initial measurement of all CFS transactions except for transaction costs that may be incurred on disposal.

### 3.5 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 not charging load or duties or charges.

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

### 3.6 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 the net element of accrued income / loss and realised capital gains / losses relating to units issued and redeemed during an accounting period in the Income Statement, while the portion of the element of income / loss and capital gains / losses that relates to unrealised gains / losses held by the Fund in equity is recorded 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.

### 3.7 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.

### 3.8 Net Asset Value per unit

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

### 3.9 Revenue recognition

- Income on reverse repurchase (reverse repo) transactions and Continuous Funding System (CFS) transactions is recognised on an accrual basis.

- Income on Term Finance Certificates is recognised on time proportion basis.
- Income from spread transactions is recognised on an accrual basis.
- Income from clean placements and Certificates of Investment is recognised on an accrual basis.
- Unrealised gains / losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

### 3.10 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 requirement of the Trust Deed of the Fund.

### 3.11 Taxation

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

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

### 3.12 Financial assets and financial liabilities

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

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

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

### 3.13 Offsetting financial instruments

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

	June 30, 2006
	Note (Rupees in '000)
<b>4 BALANCES WITH BANKS</b>	
Current accounts	2,419
Savings accounts	458,667
Term deposits	1,650,000
	2,111,086
<b>5 RECEIVABLE AGAINST SPREAD TRANSACTIONS</b>	
Receivable against spread transactions	5.1 557,083

5.1 The Fund enters into certain transactions involving purchase of a security in the ready market and simultaneous sale of the same security in the future market. These transactions are accounted for by the Fund as spread transactions by deleting the cost of investments from the books and recording the receivable based on the forward sale price. The difference between these two amounts is taken to the income statement over the period of the forward transaction.

The above mentioned treatment followed by the management is not in accordance with the requirements of International Accounting Standard 39 (IAS 39): Financial Instruments: Recognition and Measurement. As per IAS 39, the securities purchased by the Fund are required to be carried on the statement of assets and liabilities at their market value till their eventual disposal. In addition, the forward sale of securities in the futures market should be treated as a separate 'derivative' transaction, as defined in IAS 39, and carried at its fair value as required by this IAS. Had the accounting treatment specified in IAS 39 been followed, the Fund would have recorded the following assets and liabilities.

Investment in equity securities	317,023
Receivable on account of settlement of future contracts	514,017
Liability in respect of purchase of equity securities	557,861
Liability arising on marking to market of future contracts	15,859

In addition, the receivable balance currently recorded by the Fund in respect of spread transactions amounting to Rs 557,083 thousand would not have arisen and accrued income would have been lower by Rs 65 thousand.

The management believes that the accounting policy adopted by the Fund protects the interests of the unit holders as it avoids distortion in the daily calculation of the Net Asset Value of the Fund and any arbitrage against the Fund.



	Note	June 30, 2006 (Rupees in '000)
<b>6 INVESTMENTS</b>		
At fair value through profit or loss	6.1	144,369
Available for sale	6.2	26,266
		<u>170,635</u>

6.1 Investments at fair value through profit or loss

Name of the investee company	Profit / mark-up rate	Purchases during the period	Sales during the period	As at June 30, 2006	June 30, 2006	% of net assets
				-----Number of securities-----		
				(Rupees in '000)		
Term Finance Certificates - listed						
United Bank Limited	11.31%	3,000	-	3,000	15,000	0.39
Chanda Oil and Gas Securitization Company Limited	12.68%	6,895	-	6,895	29,869	0.77
Pakistan Mobile Communications (Private) Limited	12.51%	20,000	-	20,000	99,500	2.57
Total					<u>144,369</u>	

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

6.1.2 All Term Finance Certificates have a face value of Rs 5,000 each.

6.2 Available for sale

Name of the investee company	Profit / mark-up rate	Purchases during the period	Sales during the period	As at June 30, 2006	June 30, 2006	% of net assets
				-----Number of securities-----		
				(Rupees in '000)		
Term Finance Certificates - unlisted						
Dewan Mushtaq Textile Mills Limited	12.49%	8,266	-	8,266	13,347	0.34
Dewan Textile Mills Limited	12.49%	8,000	-	8,000	12,919	0.33
Total					<u>26,266</u>	

6.2.1 Unlisted Term Finance Certificates classified as available for sale are valued at cost as these are not quoted in the market.

6.2.2 All Term Finance Certificates have a face value of Rs 5,000 each.

6.3 Net unrealised appreciation in the value of investments classified as 'At fair value through profit or loss'

Market value of investments at fair value through profit or loss	6.1	144,369
Less: Cost of investments at fair value through profit or loss		<u>144,240</u>
		<u>129</u>

		June 30, 2006
		(Rupees in '000)
<b>7</b>	<b>LOANS AND RECEIVABLES</b>	<b>Note</b>
	Clean placements	360,000
	Certificates of Investment	400,000
	<b>Total</b>	<b>760,000</b>
<b>8</b>	<b>SECURITY DEPOSITS</b>	
	Security deposits with:	
	- National Clearing Company of Pakistan Limited	1,000
	- Central Depository Company of Pakistan Limited	100
		<b>1,100</b>
<b>9</b>	<b>INCOME RECEIVABLE</b>	
	Dividend receivable on shares held under Continuous Funding System (CFS) transactions	2,161
	Dividend receivable on shares held under spread transactions	6,955
	Income accrued on Continuous Funding System (CFS) transactions	607
	Income accrued on spread transactions	4,892
	Profit on savings and term deposits	19,275
	Income accrued on Term Finance Certificates	2,396
	Income accrued on clean placements	4,973
	Income accrued on Certificates of Investment	3,509
		<b>44,768</b>
<b>10</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>	
	Preliminary expenses and floatation costs incurred	2,500
	Less: amortisation during the period	96
	<b>Balance as at June 30</b>	<b>2,404</b>
10.1	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 April 22, 2006 as per the requirement of the Trust Deed of the Fund.	
<b>11</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	
	Auditors' remuneration	200
	Payable to Alexandra Fund Management Pte. Limited	544
	Listing fee payable	15
	Settlement charges payable	160
	Brokerage	104
	Others	16
		<b>1,039</b>





	Note	June 30, 2006 (Rupees in '000)
<b>12 PAYABLE TO NATIONAL FULLERTON ASSET MANAGEMENT LIMITED – MANAGEMENT COMPANY</b>		
Management fee	12.1	10,222
Preliminary expenses and floatation costs		2,500
Others		346
		<u>13,068</u>
12.1 Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of one and a half percent per annum for the current period.		
<b>13 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
Trustee fee		<u>411</u>
13.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily Net Assets Value (NAV) of the Fund.		
<b>14 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual Fee		<u>681</u>
14.1 Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, a Unit Trust Scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to one-tenth of one percent of the average annual net assets of the Scheme.		
<b>15 COMMITMENTS</b>		
Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at period end		<u>127,016</u>
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at period end		<u>560,550</u>
15.1 These transactions have been settled subsequent to the period end.		

For the period from  
February 11, 2006  
to June 30, 2006  
(Rupees in '000)

**16 PROFIT ON BANK DEPOSITS**

Income on savings deposits	21,961
Income on term deposits	16,664
	<u>38,625</u>

**17 AUDITORS' REMUNERATION**

Audit fee	175
Out of pocket expenses	25
	<u>200</u>

**18 EARNINGS PER UNIT**

Earnings per unit (EPU) for the period ended June 30, 2006 has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

**19 TRANSACTIONS WITH CONNECTED PERSONS**

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

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

**National Fullerton Asset Management Limited - Management Company**

Management fee payable at June 30, 2006	10,222
Preliminary expenses and floatation costs payable	2,500
Other payable	346
Management fee expense for the period from April 22, 2006 to June 30, 2006	10,222

**National Bank of Pakistan - Sponsor**

Investment made by the Sponsor in the Fund (12,500,000 units)	125,000
Deposit held by the Fund with the Sponsor at June 30, 2006	2,419
Profit paid by the Fund on pre-IPO investment	874

**NIB Bank Limited - Sponsor**

Investment made by the Sponsor in the Fund (20,000,000 units)	200,000
Deposit held by the Fund with the Sponsor at June 30, 2006	192,141
Profit paid by the Fund on pre-IPO investment	445
Income on bank deposits	12,384

**Alexandra Fund Management Pte. Limited - Sponsor**

Investment made by the Sponsor in the Fund (10,000,000 units)	100,000
Profit payable by the Fund on pre-IPO investment	543

**Chief Executive Officer**

Investment held by the Chief Executive Officer (825,482 units)	8,300
--	-------



## 20 YIELD / INTEREST RATE RISK

20.1 The Fund is mainly exposed to mark-up / interest rate risk on its investment portfolio. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that risk is managed within acceptable limits.

	----- Exposed to Yield/Interest risk -----				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield/Interest risk	
----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Balances with banks	2,108,667	-	-	2,419	2,111,086
Receivable against Continuous Funding System (CFS) transactions	242,492	-	-	-	242,492
Receivable against spread transactions	557,083	-	-	-	557,083
Investment	11,264	19,110	140,261	-	170,635
Loans and receivables	360,000	400,000	-	-	760,000
Security deposits	-	-	-	1,100	1,100
Income receivable	-	-	-	44,768	44,768
	<u>3,279,506</u>	<u>419,110</u>	<u>140,261</u>	<u>48,287</u>	<u>3,887,164</u>
<b>Financial Liabilities</b>					
Accrued expenses and other liability	-	-	-	1,039	1,039
Payable to National Fullerton Asset Management Limited- Management Company	-	-	-	13,068	13,068
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	411	411
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	-	-	-	681	681
	-	-	-	15,199	15,199
<b>On-balance sheet gap</b>	<u>3,279,506</u>	<u>419,110</u>	<u>140,261</u>	<u>33,088</u>	<u>3,871,965</u>
<b>Off-balance sheet financial instruments</b>					
CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2006	127,016	-	-	-	127,016
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2006	560,550	-	-	-	560,550
<b>Off-balance sheet gap</b>	<u>687,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>687,566</u>

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

	Percentage
Balances with banks	1.30 - 11.50
Receivable against Continuous Funding System (CFS) transactions	13.25 - 18.01
Receivable against spread transactions	10.87 - 23.72
Investments - Term Finance Certificates	11.31 - 13.68
Loans and receivables - clean placements	10.90 - 14.25
Loans and receivables - Certificates of Investment	11.50 - 12.00
CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2006	13.94 - 17.49
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30, 2006	10.87 - 15.55

## 21 MATURITIES OF ASSETS AND LIABILITIES

	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
<b>Assets</b>				
Balances with banks	2,111,086	2,111,086	-	-
Receivable against CFS transactions	242,492	242,492	-	-
Receivable against spread transactions	557,083	557,083	-	-
Investments	170,635	11,264	19,110	140,261
Loans and receivables	760,000	360,000	400,000	-
Security deposits	1,100	-	-	1,100
Income receivable	44,768	44,768	-	-
Preliminary expenses and floatation costs	2,404	126	374	1,904
	<u>3,889,568</u>	<u>3,326,819</u>	<u>419,484</u>	<u>143,265</u>
<b>Liabilities</b>				
Accrued expenses and other liabilities	1,039	1,039	-	-
Payable to National Fullerton Asset Management Limited – Management Company	13,068	13,068	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	411	411	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee	681	681	-	-
	<u>15,199</u>	<u>15,199</u>	<u>-</u>	<u>-</u>
	<u>3,874,369</u>	<u>3,311,620</u>	<u>419,484</u>	<u>143,265</u>

## 22 RISK MANAGEMENT POLICIES

### 22.1 Market risk

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

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

### 22.2 Credit risk

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

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



### 22.3 Liquidity risk

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

### 22.4 Yield / Interest rate risk

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

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

For the period from  
February 11, 2006  
to June 30, 2006

## 24 PERFORMANCE TABLE

Net assets (Rs '000)	3,874,369
Net income (Rs '000)	72,844
Net Asset Value per unit (Rs.)	10.19
Earnings per unit (Rs.) - (note 18)	
Dividend distribution (%) - (note 25)	
Highest offer price per unit (Rs.)	10.19
Lowest offer price per unit (Rs.)	10.00
Highest redemption price per unit (Rs.)	10.19
Lowest redemption price per unit (Rs.)	10.01

25 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 04, 2006 have proposed a bonus issue at the rate of 1.9 percent. The financial statements of the Fund for the period ended June 30, 2006 do not include the effect of the bonus issue which will be accounted for in the financial statements of the Fund for the year ending on June 30, 2007.

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on July 21, 2006.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman



## PATTERN OF UNIT-HOLDING as on June 30, 2006

S. No.	Particulars	No. of Accounts (%)	Units Held	Units Held (%)
1	ASSOCIATE CONCERN	0.28	42,500,000	11.18
2	BANKS & FINANCIAL INSTITUTIONS	3.06	126,627,061	33.31
3	CORPORATE	2.31	90,954,709	23.93
4	DIRECTOR	0.09	825,482	0.22
5	INDIVIDUALS	88.83	40,444,047	10.64
6	OTHER	0.28	10,994,036	2.89
7	TRUST	5.17	67,807,114	17.84
	Total	100.00	380,152,449	100.00



9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi.  
UAN: 111-111-NFA (632)  
Helpline: 0800-20001, Fax: (021) 2467605  
Website: [www.nafafunds.com](http://www.nafafunds.com)  
Email: [info@nafafunds.com](mailto:info@nafafunds.com)