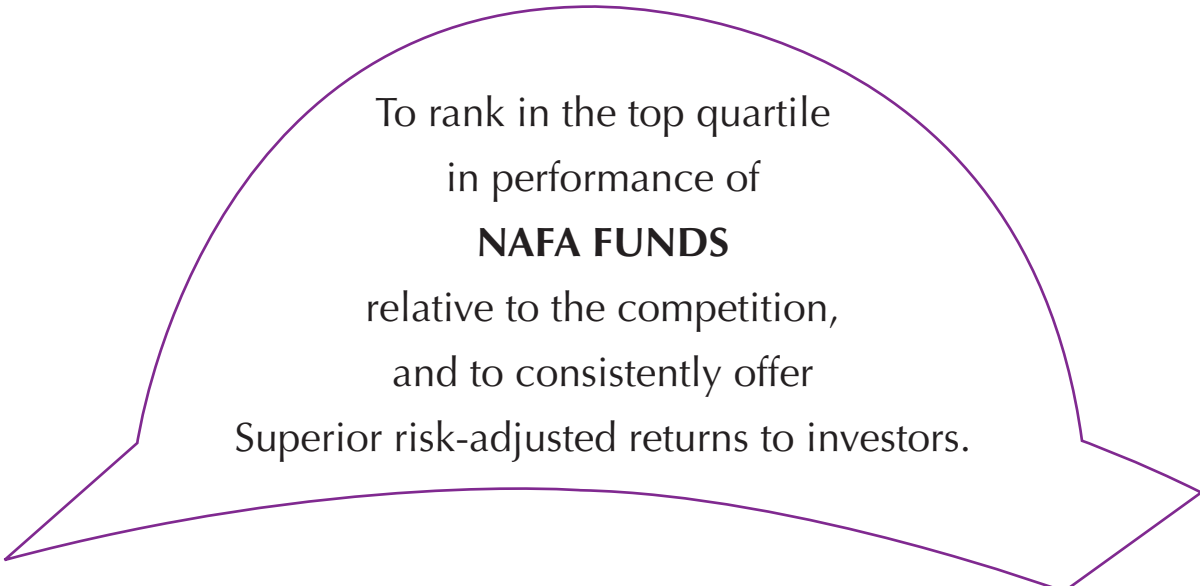


MISSION STATEMENT



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 RIBA FREE SAVINGS FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Trustee

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

Bankers to the Fund

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

NAFA RIBA FREE SAVINGS 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
UAN: 021-111-111-NFA (632)
Toll Free: 0800-20001
Fax: 021-32467605

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA RIBA FREE SAVINGS FUND

Contents

DIRECTORS' REPORT	05
TRUSTEE REPORT TO THE UNIT HOLDERS	08
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	09
FUND MANAGER REPORT	12
STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	14
REPORT OF THE SHARIAH ADVISOR	15
INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	16
REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE	17
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	18
STATEMENT OF ASSETS AND LIABILITIES	19
INCOME STATEMENT	20
STATEMENT OF COMPREHENSIVE INCOME	21
DISTRIBUTION STATEMENT	22
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	23
CASH FLOW STATEMENT	24
NOTES TO THE FINANCIAL STATEMENTS	25
PERFORMANCE TABLE	42

NAFA RIBA FREE SAVINGS FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Second Annual Report of NAFA Riba Free Savings Fund for the year ended June 30, 2012.

Fund's Performance

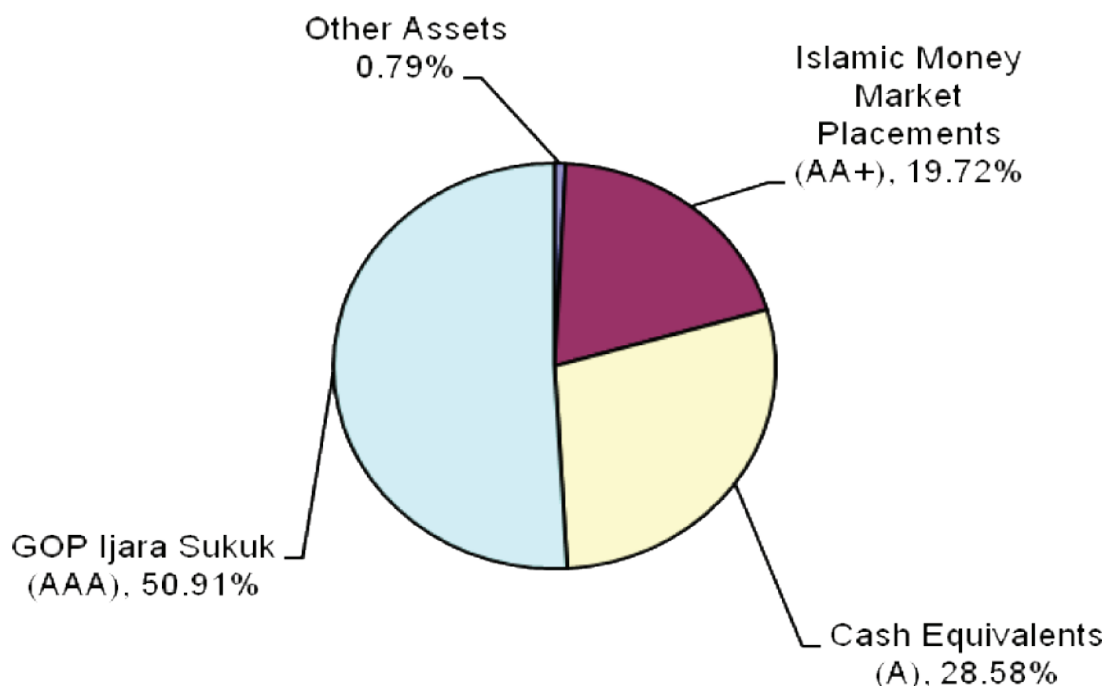
The size of **NAFA Riba Free Savings Fund** has increased from Rs. 377 million to Rs. 872 million during the period, i.e. a growth of 131.29%. During the period, the unit price of the Fund has increased from Rs. 9.0896 (Ex - Div) on June 30, 2011 to Rs. 10.0738 on June 30, 2012, thus showing an annualized return of 10.80% as compared to its Benchmark (Average 6-Month Deposit Rate of A- and above rated Islamic banks) annualized return of 8.29% for the same period.

NRFSF is an Islamic Income Scheme that invests only in Shariah compliant avenues. The Fund has been awarded a stability rating of AA-(f) by PACRA which denotes a very strong capacity to manage risk and generate relatively stable return. The Fund's major asset class is Government of Pakistan (GoP) Ijara Sukuks. GoP Ijara Sukuks coupon rates are reset every six months. This minimizes the pricing risk. The Fund is not authorized to invest in Islamic corporate debt securities and the Stock Market. Further, the Fund cannot invest in Islamic money market instruments/ securities which have more than six months maturity or below AA- rating. The Fund is categorized as an Income Scheme. With some letup in inflationary pressures and improved external accounts, SBP slashed the Policy Rate during FY12 by 2% to 12%.

The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

The Fund has earned a total income of Rs.76.98 million during the year. After deducting total expenses of Rs.12.56 million, the net income is Rs.64.42 million.

The asset allocation of NAFA Riba Free Savings Fund as on June 30, 2012 is as follows:



NAFA RIBA FREE SAVINGS FUND

Income Distribution

The Board of Directors of the Management Company has approved interim distribution of 10.41% of opening ex-NAV (10.4890% of the par value).

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, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the period. The attendance of all directors is disclosed in the note 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 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 19 to these financial statements.

NAFA RIBA FREE SAVINGS FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 11, 2012
Place: Karachi.

NAFA RIBA FREE SAVINGS FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA RIBA FREE SAVINGS FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Riba Free Savings Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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 26, 2012

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA RIBA FREE SAVINGS FUND FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Riba Free Savings Fund** (the Fund) to comply with the Best Practices of the Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI 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 practices of corporate governance.

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Shahid Anwar Khan (Chairman) 2. Dr. Asif.A Brohi 3. Mr. Amir Shahzad 4. Mr. Wah Geok Sum 5. Mr. Koh Boon San

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

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable). However, the requirement of serving as a director of seven listed companies is applicable from the date of next elections of directors.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on August 27, 2011 and March 31, 2012 during the year. First casual vacancy was filled up by the directors within 24 days and the second casual vacancy was filled up by the directors on the same day.
5. Subsequent to year end, the Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

NAFA RIBA FREE SAVINGS FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities and requirements of CCG, the code requires company to conduct formal orientation for directors. The board did not arrange director training /education program required under the code as the directors meet the exemption criteria of minimum fourteen years of education and fifteen years of experience. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the Units of the Fund other than that disclosed in note 19 to the financial statements " Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of four members, of who are non-executive directors and the chairman of the committee is a non-independent director.
18. The board has set up an effective internal audit function.

NAFA RIBA FREE SAVINGS FUND

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

Karachi
September 26, 2012

For and behalf of the board

Dr. Amjad Waheed
Chief Executive Officer

NAFA RIBA FREE SAVINGS FUND

FUND MANAGER REPORT

NAFA Riba Free Savings Fund

NAFA Riba Free Savings (NRFSF) is an Open-end – Shariah Compliant Income Scheme.

Investment Objective of the Fund

The objective of NAFA Riba Free Savings Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah compliant banks and money market / debt securities.

Benchmark

Average 6-month deposit rate of A- and above rated Islamic Banks

Fund Performance Review

This is the second Annual report since the launch of the Fund on August 21, 2010. The Fund size increased by 131% during FY12 and stands at Rs 872 million as on June 30, 2012. The Fund has offered an annualized return of 10.64% since its inception versus the benchmark return of 8.29%. This translates into an out-performance of 2.35% p.a. Hence, the fund has achieved its stated objectives.

NRFSF is an Islamic Income Scheme that invests only in Shariah compliant avenues with no direct or indirect exposure to stock market. The stability rating of the Fund is AA-(f) by PACRA, which denotes a very strong capacity to maintain relative stability in returns and very low exposure to risks. We aim to consistently provide better returns than profit rates offered by Islamic Banks / Islamic windows of commercial banks, while also providing easy liquidity along with a high quality credit profile. The maturity of any single instrument except GOP Ijara Sukus cannot exceed six months. The Fund is mainly invested in Government of Pakistan Ijara Sukuks. GOP Ijarah sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

Inflation as measured by CPI stood at 11% for FY12 as against 13.3% during the preceding year. With this letup in inflation and to spur private sector investment, SBP reduced the Discount Rate from 14% to 12%. Correspondingly the benchmark 6-Months KIBOR declined to 12.06% from 13.78% during the year.

The asset allocation of NRFSF is fairly diversified and as on June 30, 2012 is as follows along with its credit quality:

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-12	30-Jun-11
GOP Ijara Sukuk	50.91%	70.48%
Money Market Placements	19.72%	-
Cash Equivalents & Other Assets	29.37%	29.52%
Total	100.00%	100.00%

NAFA RIBA FREE SAVINGS FUND

Distribution for the Financial Year 2011

Interim Period / Quarter	Dividend as a % of Par Value (Rs.10)	Cummlative Div. Price / Unit	Ex- Div. Price
Jul-11	0.877%	10.1911	10.1034
Aug-11	0.907%	10.2109	10.1202
Sep-11	0.796%	10.2003	10.1207
Oct-11	0.927%	10.2069	10.1142
Nov-11	0.806%	10.2057	10.1251
Dec-11	0.806%	10.2311	10.1505
Jan-12	0.806%	10.2200	10.1394
Feb-12	0.826%	10.2209	10.1383
Mar-12	0.826%	10.2191	10.1365
Apr-12	0.826%	10.1947	10.1121
May-12	0.826%	10.2059	10.1233
Jun-12	1.26%	10.1892	10.0632

Unit Holding Pattern of NAFA Riba Free Savings Fund as on 30th June 2012

Size of Unit Holding (Units)	# of Unit Holders
1 - 1000	39
1001 - 5000	67
5001 - 10000	47
10001 - 50000	283
50001 -100000	104
100001 - 500000	89
500001 - 1000000	11
1000001 - 5000000	7
5000001 - 10000000	1
10000001 - 100000000	2
100000001 - 1000000000	-
	650

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NAFA Riba Free Savings Fund does not have any soft commission arrangement with any broker in the industry.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 1,858,834/-. If the same were not made the NAV per unit/ FY 2012 return of scheme would be higher by Rs. 0.0215/ 0.24%. For details investors are advised to read note 15 of the Financial Statement of the Scheme for the period ended June 30, 2012 .

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Riba Free Savings Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2012. This has been duly confirmed by the Shariah Advisor of the Fund.

Date: September 29, 2011
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA RIBA FREE SAVINGS FUND

Report of the *Shar'iah* Advisor – NAFA Riba Free Savings Fund

September 5, 2012/Shawwal 18, 1433 A.H

Alhamdulillah, the period ended June 30, 2012 was the second year of the operations of NAFA Riba Free Savings Fund (NRFSF). This report is being issued in accordance with clause 5.D.1 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shar'iah* Compliance of the Fund's activity.

In the capacity of *Shari'ah* Advisor, we have prescribed criteria and procedure to be followed in ensuring *Shar'iah* Compliance in every investment.

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NRFSF in light of *Shar'iah* guidelines.
- ii. All the provisions of the scheme and investments made on account of NRFSF by NAFA are *Shar'iah* Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NRFSF for the period ended June 30, 2012 dose not appropriate in compliance with *Shar'iah* principles.

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

For and on behalf of Meezan Bank Limited
Shar'iah Technical Services & Support Provider

Bilal Ahmed Qazi
Shar'iah Advisor

NAFA RIBA FREE SAVINGS FUND

INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of Nafa Riba Free Savings Fund, (the Fund) to express an opinion on the annexed Statement of compliance with the Shariah principles (the 'Statement') for the year ended June 30, 2012. Our engagement was carried out as required under clause 5.D.1 of the Trust Deed of the Fund.

Management Company's responsibility

The Management Company of the Fund is responsible for the preparation of the annexed statement (the subject matter) and for compliance with the Shariah principles specified in the Trust Deed. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and its investment and placements have been made in compliance with the Shariah principles.

Responsibility of independent assurance providers

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

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

- Check compliance of specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund.
- Check that the Shariah Advisor has certified that investments made by the Fund during the period ended June 30, 2012 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed for the year ended June 30, 2012.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: September 26, 2012

NAFA RIBA FREE SAVINGS FUND

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited**, the Management Company of **NAFA Riba Free Savings 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. 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 Company'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 Company's personnel and review of various documents prepared by the 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.

Regulation 35 (x) of the listing regulations notified by the Lahore Stock Exchange (Guarantee) Limited requires the 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 for and on behalf of the Fund, 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, 2012.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: September 26, 2012

NAFA RIBA FREE SAVINGS FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Riba Free Savings Fund (here in after referred to as "the Fund")**, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 26, 2012
Karachi

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011
ASSETS			
Bank balances	4	249,205	103,591
Investments	5	615,882	265,538
Profit receivable	6	13,637	9,824
Preliminary expenses and floatation costs	7	632	833
Security deposit		100	-
Prepayments and other receivables		100	-
Total assets		879,556	379,786
LIABILITIES			
Payable to the Management Company	8	1,041	1,535
Payable to Central Depository Company of Pakistan Limited - Trustee	9	122	51
Payable to the Securities and Exchange Commission of Pakistan	10	485	158
Payable against redemption of units		2,835	321
Accrued expenses and other liabilities	11	3,068	943
Total liabilities		7,551	3,008
NET ASSETS		872,005	376,778
UNITHOLDERS' FUND (AS PER STATEMENT ATTACHED)		872,005	376,778
CONTINGENCIES AND COMMITMENTS	12	-----Number of units-----	
NUMBER OF UNITS IN ISSUE		86,561,291	36,305,724
NET ASSET VALUE PER UNIT	3.10	10.0738	10.3779

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	For the year ended June 30, 2012	For the period from July 30, 2010 to June 30, 2011
(Rupees in '000)			
INCOME			
Profit on bank deposits	13	22,373	16,221
Income from investment in GoP Ijarah Sukuks		40,260	9,561
Income from investment in sukuk certificates		13,641	-
Capital gain on sale of investments - net		2,135	133
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.3	(1,432)	198
Total income		<u>76,977</u>	<u>26,113</u>
EXPENSES			
Remuneration of the Management Company		7,121	2,352
Sindh Sales Tax on Management Company's remuneration		1,144	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,098	554
Annual fee - Securities and Exchange Commission of Pakistan		485	158
Amortisation of preliminary expenses and floatation costs	7	201	173
Auditors' remuneration	14	390	347
Listing fee		30	20
Rating fee		183	200
Printing charges		113	157
Legal fee		40	10
Securities transaction cost		112	55
Bank charges		325	95
Total expenses		<u>11,242</u>	<u>4,121</u>
Net income from operating activities		<u>65,735</u>	<u>21,992</u>
Element of income and capital gains included in the prices of units issued less those in units redeemed		-	5,202
Provision for Workers' Welfare Fund	15	(1,315)	(544)
Net income for the year / period before taxation		<u>64,420</u>	<u>26,650</u>
Taxation	16	-	-
Net income for the year / period after taxation		<u>64,420</u>	<u>26,650</u>
Earnings per unit	3.11		

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	For the year ended June 30, 2012	For the period from July 30, 2010 to June 30, 2011
	(Rupees in '000)	
Net income for the year / period after taxation	64,420	26,650
Other comprehensive income for the year / period	-	-
Total comprehensive income for the year / period	<u>64,420</u>	<u>26,650</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	For the year ended June 30, 2012	For the period from July 30, 2010 to June 30, 2011
	(Rupees in '000)	
Undistributed income brought forward		
Realised income	13,293	-
Unrealised income	198	-
	<u>13,491</u>	<u>-</u>
Net income for the year / period	64,420	26,650
Final distribution during the year / period		
- Re 0.30 per unit declared on July 04, 2011		
- Issue of bonus units	(10,877)	-
Interim distributions during the year / period		
- Re 0.0877 per unit declared on August 02, 2011		
- Issue of bonus units	(3,422)	-
- Re 0.0907 per unit declared on September 06, 2011		
- Issue of bonus units	(3,767)	-
- Re 0.0796 per unit declared on October 03, 2011		
- Issue of bonus units	(3,857)	-
- Re 0.0927 per unit declared on November 02, 2011		
- Issue of bonus units	(4,728)	-
- Re 0.0806 per unit declared on December 02, 2011		
- Issue of bonus units	(4,426)	-
- Re 0.0806 per unit declared on January 03, 2011		
- Cash distribution	(315)	-
- Issue of bonus units	(4,694)	-
- Re 0.0806 per unit declared on January 30, 2012		
- Cash distribution	(315)	-
- Issue of bonus units	(5,551)	-
- Re 0.0826 per unit declared on February 28, 2012 (2011: Re 0.025 per unit declared on February 18, 2011)		
- Cash distribution	(323)	-
- Issue of bonus units	(6,013)	(6,177)
- Re 0.0826 per unit declared on March 29, 2012		
- Cash distribution	(325)	-
- Issue of bonus units	(6,127)	-
- Re 0.0826 per unit declared on April 27, 2012 (2011: Re 0.025 per unit declared on April 19, 2011)		
- Cash distribution	(323)	-
- Issue of bonus units	(6,831)	(6,982)
- Re 0.0826 per unit declared on May 30, 2012		
- Issue of bonus units	(7,024)	-
- Re 1.26 per unit declared on June 27, 2012		
- Issue of bonus units	(10,752)	-
Element of income and capital gains included in the prices of units issued less those in units redeemed	4,003	-
Undistributed income carried forward	<u>2,244</u>	<u>13,491</u>
Undistributed income comprising:		
Realised income	3,676	13,293
Unrealised (loss) / income	(1,432)	198
	<u>2,244</u>	<u>13,491</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2012

	For the year ended June 30, 2012	For the period from July 30, 2010 to June 30, 2011
	(Rupees in '000)	
Net assets at the beginning of the year / period	376,778	-
Issue of 95,351,881 units including 7,721,099 bonus units (2011: 43,231,470 units including 1,292,967 bonus units)	891,046	426,596
Redemption of 45,096,314 units (2011: 6,925,746 units)	(458,638) 432,408	(71,266) 355,330
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	(1,432)	198
Capital gain on sale of investments - net	2,135	133
Other income (net of expenses) for the year/ period	63,717 64,420	26,319 26,650
Element of income and capital gains included in the prices of units issued less those in units redeemed		
- amount representing income and capital gains - amount transferred to income statement	-	(5,202)
- amount representing income that forms part of unit holder's fund - amount transferred to distribution statement	(4,003)	-
Distributions of bonus units during the year / period		
Interim distributions	67,192	13,159
Final distribution	10,877	-
Final distribution made during the year / period		
- Re 0.3 per unit declared on July 04, 2011 Issue of bonus units	(10,877)	-
Interim distributions made during the year / period:		
- Re 0.0877 per unit declared on August 02, 2011 Issue of bonus units	(3,422)	-
- Re 0.0907 per unit declared on September 06, 2011 Issue of bonus units	(3,767)	-
- Re 0.0796 per unit declared on October 03, 2011 Issue of bonus units	(3,857)	-
- Re 0.0927 per unit declared on November 02, 2011 Issue of bonus units	(4,728)	-
- Re 0.0806 per unit declared on December 02, 2011 Issue of bonus units	(4,426)	-
- Re 0.0806 per unit declared on January 03, 2011 Cash distribution Issue of bonus units	(315) (4,694)	- -
- Re 0.0806 per unit declared on January 30, 2012 Cash distribution Issue of bonus units	(315) (5,551)	- -
- Re 0.0826 per unit declared on February 28, 2012 (2011: Re 0.025 per unit declared on February 18, 2011) Cash distribution Issue of bonus units	(323) (6,013)	- (6,177)
- Re 0.0826 per unit declared on March 29, 2012 Cash distribution Issue of bonus units	(325) (6,127)	- -
- Re 0.0826 per unit declared on April 27, 2012 (2011: Re 0.025 per unit declared on April 19, 2011) Cash distribution Issue of bonus units	(323) (6,831)	- (6,982)
- Re 0.0826 per unit declared on May 30, 2012 Issue of bonus units	(7,024)	-
- Re 1.26 per unit declared on June 27, 2012 Issue of bonus units	(10,752) (79,670)	- (13,159)
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount transferred to distribution statement	4,003	
Net assets at the end of the year / period	<u>872,005</u>	<u>376,778</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	For the year ended June 30, 2012	For the period from July 30, 2010 to June 30, 2011
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year / period		64,420	26,650
Adjustments for:			
Net unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		1,432	(198)
Amortisation of preliminary expenses and floatation costs		201	173
Element of income and capital gains included in the prices of units issued less those in units redeemed		-	(5,202)
		66,053	21,423
(Increase) / decrease in assets			
Investments - net		(351,776)	(265,340)
Security deposit		(100)	-
Profit receivable		(3,813)	(9,824)
Prepayments and other receivables		(100)	-
		(355,789)	(275,164)
Increase / (decrease) in liabilities			
Payable to the Management Company		(494)	529
Payable to Central Depository Company of Pakistan Limited - Trustee		71	51
Payable to Securities and Exchange Commission of Pakistan		327	158
Accrued expenses and other liabilities		2,125	943
		2,029	1,681
Net cash used in operating activities		(287,707)	(252,060)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		891,046	426,596
Payments on redemption of units		(456,124)	(70,945)
Distributions paid		(1,601)	-
Net cash generated from financing activities		433,321	355,651
Net increase in cash and cash equivalents during the year / period		145,614	103,591
Cash and cash equivalents at the beginning of the year / period		103,591	-
Cash and cash equivalents at the end of the year / period	4	249,205	103,591

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Riba Free Savings Fund (NRFSF / the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 14, 2010 under 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 Chundrigar Road, Karachi. The Management Company is a member of Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferrable and can be redeemed by surrendering these to the Fund. The Fund is categorized as an Open-End Islamic "Income Scheme" as per the criteria laid down by SECP for categorization of Collective Investment Schemes (CIS).

The objective of the Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in Shariah compliant banks and money market / debt securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2 to the Management Company and a stability rating of 'AA-(f)' to the Fund.

Title of the assets of the Fund is held in the name of CDC as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures' This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements during the current year.
- b) IFRS 7, 'Financial instruments: Disclosures' This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard does not have any impact on the Fund's financial statements.

NAFA RIBA FREE SAVINGS FUND

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

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

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any significant effect on the Fund's financial statements.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. 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 (note 3.2 and note 5).

2.5 Accounting Convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances in savings accounts and other deposits with banks having original maturities of three months or less. Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- available for sale

NAFA RIBA FREE SAVINGS FUND

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

These are financial assets acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

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 either designated in this category or not classified in any of the other categories.

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

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

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

The investment of the fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations.

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

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

b) Loans and receivables

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

Gain or loss is also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment 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 statement of comprehensive income is reclassified from other comprehensive income and recognised in the income statement.

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

NAFA RIBA FREE SAVINGS FUND

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to management company, payable to trustee and other liabilities.

3.4 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 Non-Banking Finance Companies and Notified Entities Regulations, 2008.

3.5 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.

3.6 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 amongst 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 avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, 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.

3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company of the Fund 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.

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

3.8 Element of income / (loss) and capital gains / (losses) included in the 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.

During the current year, the Fund has revised its methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned during the year and on unrealised appreciation / (diminution) arising during the year on available for sale securities. The amount so determined is taken directly to the distribution statement. Previously, the element was calculated based on cumulative values of undistributed income and unrealised gain / loss on available for sale securities present in the net asset value of units. The element which related to income earned during the year was recognised in the income statement, while the remaining amount was recognised in the distribution statement.

NAFA RIBA FREE SAVINGS FUND

The revised methodology, in the opinion of the management, reflects a more appropriate manner for determination of element. The change in the presentation of element in the financial statements has been based on the recommendation of the Institute of Chartered Accountants of Pakistan (ICAP) to the Securities and Exchange Commission of Pakistan (SECP). As per ICAPs recommendation to the SECP, element of income, being in the nature of "equalization account" does not qualify for recognition either as expense or income as per International Financial Reporting Standards (IFRSs). Therefore, in order to enhance harmonization of mutual fund accounting with the primary accounting framework, the net balance of element of income at the end of the reporting period has been recognised directly in the distribution statement.

The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology:

- income for the year would have been higher by Rs. 4.003 million; and
- amount taken to distribution statement would have been higher by Rs 3.914 million

3.9 Proposed distributions

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

3.10 Net asset value per unit

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

3.11 Earnings per unit

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

3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised capital gains / (losses) arising on re-measurement 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 accrual basis.
- Income on GoP Ijara Sukuks and sukuk certificates is recognised on an accrual basis.

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
4 BANK BALANCES			
In savings accounts	4.1	237,786	94,642
In current accounts		11,419	8,949
		<u>249,205</u>	<u>103,591</u>

4.1 These accounts carry a rate of return ranging from 6.00% to 12.25% (2011 : 5.00% to 12.00%) per annum.

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
5 INVESTMENTS			
Financial assets 'at fair value through profit or loss'			
Investment in GoP Ijara sukuks	5.1	443,962	265,538
Loans and receivables	5.2	171,920	-
		<u>615,882</u>	<u>265,538</u>

NAFA RIBA FREE SAVINGS FUND

5.1 Fair value through profit or loss - held for trading

All certificates have a face value of Rs.100,000 each

Name of Investee Company	Issue Date	Number of certificates				Market Value as at June 30, 2012	Investment as percentage of	
		As at July 01-2011	Purchases during the period	Sales during the period	As at June 30, 2012		Net assets	Total investments
Rupees in '000'								
GoP Ijara Sukuk V	November 15, 2010	350	500	-	850	85,043	9.75%	13.81%
GoP Ijara Sukuk VI	December 20, 2010	330	-	150	180	18,009	2.07%	2.92%
GoP Ijara Sukuk VII	March 07, 2011	1,230	-	1,150	80	8,002	0.92%	1.30%
GoP Ijara Sukuk VIII	May 16, 2011	740	810	550	1,000	100,050	11.47%	16.24%
GoP Ijara Sukuk IX	December 26, 2011	-	2,567	1,000	1,567	156,842	17.99%	25.47%
GoP Ijara Sukuk X	March 02, 2012	-	250	-	250	25,003	2.87%	4.06%
GoP Ijara Sukuk XI	April 30, 2012	-	210	-	210	21,013	2.41%	3.41%
GoP Ijara Sukuk XII	June 28, 2012	-	300	-	300	30,000	3.44%	4.87%
						<u>443,962</u>		
Carrying value as at June 30, 2012						<u>445,394</u>		
Net unrealized diminution on re-measurement of investments classified as financial assets at fair value through profit or loss						<u>(1,432)</u>		

5.2 Loans and receivables

-Sukuk certificates

Name of issuer	Maturity date	Rate	As at June 30, 2012	As at June 30, 2011
The Hub Power Company Limited	3-Aug-12	13.09%	100,000	-
Engro Fertilizers Limited	22-Sep-12	13.55%	71,920	-
			<u>171,920</u>	<u>-</u>
		Note	2012	2011
			(Rupees in '000)	

5.3 Net unrealised (diminution) / appreciation in value of investments at fair value through profit or loss

Market value of investments	443,962	265,538
Less: Carrying value of investments	<u>(445,394)</u>	<u>(265,340)</u>
	<u>(1,432)</u>	<u>198</u>

6 PROFIT RECEIVABLE

Profit receivable on saving deposits	671	2,481
Profit receivable on GoP Ijara Sukuks	4,867	7,343
Profit receivable on sukuk certificates	8,099	-
	<u>13,637</u>	<u>9,824</u>

7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	833	-
Preliminary expenses and floatation costs incurred during the year / period	-	1,006
Less: Amortisation during the year / period	<u>201</u>	<u>173</u>
Closing balance	<u>632</u>	<u>833</u>

NAFA RIBA FREE SAVINGS FUND

	Note	2012 (Rupees in '000)	2011
8 PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration of the Management Company	8.1	893	299
Sindh Sales Tax on Management Company's remuneration	8.2	148	-
Preliminary expenses and floatation costs		-	1,006
Listing fee paid by the Management Company on behalf of the Fund		-	20
Rating fee paid by the Management Company on behalf of the Fund		-	200
Others		-	10
		<u>1,041</u>	<u>1,535</u>

8.1 Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent per annum of the average annual net assets of the Fund and thereafter of an amount equal to two percent per annum of such assets of the Fund. Management remuneration was charged at the rate of 1% of the average annual net assets of the Fund for the period from July 1, 2011 to February 27, 2012 and at the rate of 1.25% for the remaining period.

8.2 During the current year, the Provincial Government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.

	Note	2012 (Rupees in '000)	2011
9 PAYABLE TO THE TRUSTEE			
Trustee fee	9.1	121	51
CDC Settlement charges payable		<u>1</u>	<u>-</u>
		<u>122</u>	<u>51</u>

9.1 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, 2012 is as follows:

Amount of funds under management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs 0.6 million or 0.17% per annum of NAV whichever is higher
On amount exceeding Rs. 1,000 million to Rs. 5,000 million	Rs 1.7 million plus 0.085% per annum of NAV exceeding Rs 1,000 million
On amount exceeding Rs. 5,000 million	Rs 5.1 million plus 0.07% per annum of NAV exceeding Rs 5,000 million

	Note	2012 (Rupees in '000)	2011
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	10.1	<u>485</u>	<u>158</u>

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as Income Scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the scheme. The Fund has been classified as an Income Scheme by the Management Company.

NAFA RIBA FREE SAVINGS FUND

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' Remuneration		266	246
Brokerage		-	22
Bank Charges		14	33
Provision for Workers' Welfare Fund	15	1,859	544
Printing Charges		150	98
Others		779	-
		<u>3,068</u>	<u>943</u>

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012

	2012 (Rupees in '000)	2011 (Rupees in '000)
13 PROFIT ON BANK DEPOSITS		
Income on savings deposits	22,373	16,221
14 AUDITORS' REMUNERATION		
Annual audit fee	254	231
Half yearly review fee	102	92
Out of pocket expenses	34	24
	<u>390</u>	<u>347</u>

15 PROVISION FOR WORKERS' WELFARE FUND

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

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 1.859 million (including Rs. 1.315 million for the current year) (2011: Rs.0.544 million for the last year) in these financial statements. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs 0.0215/ 0.24% per unit respectively.

16 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 provision for taxation in respect of income relating to the current year as subsequent to the year end the Management Company has distributed the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

NAFA RIBA FREE SAVINGS FUND

	2012	2011
	(Rupees in '000)	
17 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year / period	36,305,724	-
Add: units issued during the year / period	87,630,782	41,938,503
Add: bonus units issued during the year / period	7,721,099	1,292,967
Less: units redeemed during the year / period	45,096,314	6,925,746
Total units in issue at the end of the year / period	86,561,291	36,305,724
18 FINANCIAL INSTRUMENTS BY CATEGORY		
	-----June 30,2012-----	
	Loans and receivables	Assets at fair value through profit or loss
		Total
	-----Rupees in '000-----	
Financial assets		
Bank balances	249,205	-
Investments	171,920	443,962
Profit receivable	13,637	-
Security deposit	100	-
	434,862	878,824
	-----June 30,2012-----	
	Liabilities at fair value through profit or loss	Other financial liabilities
		Total
	-----Rupees in '000-----	
Financial liabilities		
Payable to the Management Company	-	1,041
Payable to Central Depository Company of Pakistan Limited - Trustee	-	122
Payable against redemption of units	-	2,835
Accrued expenses and other liabilities	-	1,209
	-	5,207
	-----June 30,2011-----	
	Loans and receivables	Assets at fair value through profit or loss
		Total
	-----Rupees in '000-----	
Financial assets		
Bank balances	103,591	-
Investments	-	265,538
Profit receivable	9,824	-
	113,415	378,953
	-----June 30,2011-----	
	Loans and receivables	Assets at fair value through profit or loss
		Total
	-----Rupees in '000-----	
Financial liabilities		
Payable to the Management Company	-	1,535
Payable to Central Depository Company of Pakistan Limited - Trustee	-	51
Payable against redemption of units	-	321
Accrued expenses and other liabilities	-	399
	-	2,306

NAFA RIBA FREE SAVINGS FUND

19 TRANSACTIONS WITH CONNECTED PERSONS

- 19.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 19.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 19.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 19.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

	For the year ended June 30, 2012	For the period from July 30, 2010 to June 30, 2011 (Rupees in '000)
19.5 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration	7,121	2,352
Sindh Sales Tax on Management Company's remuneration	1,144	-
Issue of Nil units (2011: 5,009,988 units)	-	50,100
Bonus of 712,508 units (2011: 249,093 units)	-	-
Redemption of 470,807 units (2011: Nil units)	4,800	-
Expenses paid by the Management Company on behalf of the Fund		
-Preliminary expenses and floatation costs	-	1,006
-Listing fee	-	20
-Rating fee	-	200
-Others	-	10
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	1,098	554
Alexandra Fund Management Pte. Limited - Sponsor		
Issue of Nil units (2011: 12,852,511 units)	-	129,849
Bonus of 1,514,376 units (2011: 639,018 units)	-	-
Redemption of 4,916,082 units (2011: Nil units)	50,000	-
Pre-IPO profit paid	-	156
Employees of the Management Company		
Issue of 484,169 units (2011: 289,530 units)	4,923	2,956
Bonus of 12,393 units (2011: 6,023 units)	-	-
Redemption of 343,644 units (2011: 244,161 units)	3,495	2,509
CDC Trustee NAFA Islamic Multi Asset Fund		
Purchase of sukuk	15,000	-
CDC Trustee NAFA Multi Asset Fund		
Purchase of sukuk	35,000	-

NAFA RIBA FREE SAVINGS FUND

	June 30, 2012	June 30, 2011
	(Rupees in '000)	
19.6 Amounts outstanding as at year / period end		
NBP Fullerton Asset Management Limited - Management Company		
Management remuneration payable	1,041	299
Preliminary expenses and floatation costs	-	1,006
Listing fee	-	20
Rating fee	-	200
Others	-	10
Units held: 5,500,782 units (2011: 5,259,081 units)	55,414	54,578
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	121	51
CDS Settlement charges payable	1	-
Security deposit	100	-
National Bank of Pakistan - Sponsor		
Bank balance	2,046	1,050
Alexandra Fund Management Pte. Limited - Sponsor		
Units held: 10,089,822 units (2011: 13,491,529 units)	101,643	140,014
Employees of the Management Company		
Units held: 182,356 units (2011: 51,392 units)	1,837	533

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	24
2	Sajjad Anwar	CFA / MBA Finance	12
3	Tanvir Abid	CFA / FRM	13
4	Ahmed Nouman	CFA / EMBA	16
5	Mr. Salman Ahmed	EMBA / CFA	6.5

Mr. Salman Ahmed is the Fund Manager. He is also the Fund Manager of NAFA Income Fund.

21 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

	For the year ended June 30, 2012 Percentage
1 BMA Capital Management Limited	26.86%
2 Invest Capital Markets Limited	26.86%
3 Summit Capital (Private) Limited	18.98%
4 J.S Global Capital Limited	9.53%
5 Al-Falah Securities (Private) Limited	4.48%
6 KASB Securities Limited	4.48%
7 Vector Capital (Private) Limited	3.88%
8 Optimus Capital Management Limited	2.69%
9 Invest One Markets Limited	2.24%
	100.00%

NAFA RIBA FREE SAVINGS FUND

For the
period from
July 1, 2010
to June 30,
2011
Percentage

1	KASB Securities Limited	38.99%
2	Invest Capital and Securities (Private) Limited	37.91%
3	J.S Global Capital Limited	12.64%
4	Elixir Securities Pakistan (Private) Limited	10.46%
		<u>100.00%</u>

22 DETAILS OF PATTERN OF UNIT HOLDING

-----June 30, 2012-----

Category	Number of unit holders	Investment amount	Percentage of investment
(Rupees in '000)			
Individuals	629	456,258	52.32%
Associated companies / Directors	2	157,057	18.01%
Retirement funds	5	19,481	2.23%
Others	14	239,209	27.43%
	<u>650</u>	<u>872,005</u>	<u>100.00%</u>

-----June 30, 2011-----

Category	Number of unit holders	Investment amount	Percentage of investment
(Rupees in '000)			
Individuals	259	164,200	43.58%
Associated companies / Directors	2	194,592	51.65%
Retirement funds	1	10,001	2.65%
Others	4	7,985	2.12%
	<u>266</u>	<u>376,778</u>	<u>100.00%</u>

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 32nd, 33rd, 34th, 35th and 36th Board meetings were held on July 04, 2011, September 29, 2011, October 27, 2011, February 17, 2012 and April 17, 2012 respectively. Information in respect of attendance by directors in the meetings is given below:

Category	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Shahid Anwar Khan	5	3	2	34th, 35th meeting
Dr. Asif A. Brohi	5	2	3	33rd, 34th, 35th meeting
Mr. Wah Geok Sum	5	2	3	33rd, 34th, 36th meeting
Mr. Patrick Pang Chin Hwang***	4	4	-	
Mr. Shehryar Faruque	5	3	2	32nd, 36th meeting
Mr. Kamal Amir Chinoy	5	3	2	34th, 35th meeting
Syed Iqbal Ashraf*	1	-	1	32nd meeting
Dr Amjad Waheed	5	5	-	
Mr. Amir Shehzad**	3	3	-	
Mr. Kow Koh Boon San****	1	1	-	

* Syed Iqbal Ashraf retired from Board with effect from August 27, 2011

** Mr. Amir Shehzad was co-opted on the Board with effect from September 20, 2011

*** Mr. Patrick Pang Chin Hwang retired from Board with effect from March 31, 2012

**** Mr. Kow Koh Boon San was co-opted on the Board with effect from February 17, 2012

NAFA RIBA FREE SAVINGS FUND

24 FINANCIAL RISK MANAGEMENT

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

24.1 Market risk

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

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

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

24.1.1 Currency risk

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

24.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds GoP Ijara Sukuks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in 6 months weighted average yield of market treasury bills on June 30, 2012 with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.0.562 million (2011: Rs.0.0956 million).

The composition of the Fund's debt investment portfolio and market treasury bill rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2012, the Fund does not hold any fixed rate instruments that may expose the fund to fair value interest rate risk.

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

As at June 30, 2012

Effective interest rate %	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/ Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

(Rupees in '000)

On-balance sheet financial instruments

Financial assets

Bank balances	6.00 - 12.25	249,205	237,786	-	-	11,419
Investments	11.79 - 14.47	615,882	171,920	-	443,962	-
Profit receivable		13,637	-	-	-	13,637
Security deposit		100	-	-	-	100
		878,824	409,706	-	443,962	25,156

Financial liabilities

Payable to the Management Company		1,041	-	-	-	1,041
Payable to Central Depository Company of Pakistan Limited - Trustee		122	-	-	-	122
Payable against redemption of units		2,835	-	-	-	2,835
Accrued expenses and other liabilities		1,209	-	-	-	1,209
		5,207	-	-	-	5,207

On-balance sheet gap

		873,617	409,706	-	443,962	19,949
--	--	---------	---------	---	---------	--------

Off-balance sheet financial instruments

		-	-	-	-	-
--	--	---	---	---	---	---

Off-balance sheet gap

		-	-	-	-	-
--	--	---	---	---	---	---

NAFA RIBA FREE SAVINGS FUND

As at June 30, 2011

Effective interest rate %	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

(Rupees in '000)

On-balance sheet financial instruments

Financial assets					
Bank balances	5.00 - 12.00	103,591	94,642	-	8,949
Investments	13.11 - 13.68	265,538	-	265,538	-
Profit receivable		9,824	-	-	9,824
		<u>378,953</u>	<u>94,642</u>	<u>265,538</u>	<u>18,773</u>

Financial liabilities

Payable to the Management Company		1,535	-	-	1,535
Payable to Central Depository Company of Pakistan Limited - Trustee		51	-	-	51
Payable against redemption of units		321	-	-	321
Accrued expenses and other liabilities		399	-	-	399
		<u>2,306</u>	<u>-</u>	<u>-</u>	<u>2,306</u>

On-balance sheet gap

		<u>376,647</u>	<u>94,642</u>	<u>265,538</u>	<u>-</u>	<u>16,467</u>
--	--	----------------	---------------	----------------	----------	---------------

Off-balance sheet financial instruments

		-	-	-	-	-
--	--	---	---	---	---	---

Off-balance sheet gap

		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
--	--	----------	----------	----------	----------	----------

24.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund does not hold any security which exposes the Fund to price risk.

24.2 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.

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2012:

Bank balances by rating category

	As at June 30, 2012	As at June 30, 2011
A1+ / A-1+	7.61%	10.40%
A1 / A-1	92.37%	29.04%
A2	0.02%	60.56%
	<u>100.00%</u>	<u>100.00%</u>

24.2.1 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 is mainly concentrated in government securities and bank balances with commercial banks whereas the remaining transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than government.

NAFA RIBA FREE SAVINGS FUND

24.2.2 Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

24.3 Liquidity risk

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

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

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

----- As at June 30, 2012 -----

Total	Upto three months	More than three months and upto one year	More than one year
-------	-------------------	--	--------------------

(Rupees in '000)

Financial Liabilities

Payable to the Management Company	1,041	1,041	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	122	122	-	-
Payable on redemption of units	2,835	2,835	-	-
Accrued expenses and other liabilities	1,209	1,209	-	-
	<u>5,207</u>	<u>5,207</u>	-	-

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

Total	Upto three months	More than three months and upto one year	More than one year
-------	-------------------	--	--------------------

(Rupees in '000)

Financial Liabilities

Payable to the Management Company	1,535	519	-	1,016
Payable to Central Depository Company of Pakistan Limited - Trustee	51	51	-	-
Payable on redemption of units	321	321	-	-
Accrued expenses and other liabilities	399	399	-	-
	<u>2,306</u>	<u>1,290</u>	-	<u>1,016</u>

NAFA RIBA FREE SAVINGS FUND

25 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'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.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from carrying values as the items are either short term in nature or are 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

----- As at June 30, 2012 -----
Level 1 Level 2 Level 3 Total
 ----- Rupees in '000 -----

ASSETS

Financial assets classified as 'fair value through profit or loss'

Investment in GoP Ijara Sukuks	-	443,962	-	443,962
--------------------------------	---	---------	---	---------

----- As at June 30, 2011 -----
Level 1 Level 2 Level 3 Total
 ----- Rupees in '000 -----

ASSETS

Financial assets classified as 'fair value through profit or loss'

Investment in GoP Ijara Sukuks	-	265,538	-	265,538
--------------------------------	---	---------	---	---------

NAFA RIBA FREE SAVINGS FUND

27 CORRESPONDING FIGURES

No reclassifications of corresponding figures have been made during the current year.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 11, 2012.

29 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2012	For the period from July 30, 2010 to June 30, 2011
Net assets (Rs. '000')	872,005	376,778
Net Income (Rs. '000')	64,420	26,650
Net Asset Value per units (Rs.)	10.0738	10.0779
Offer price per unit	10.0738	10.0779
Redemption price per unit	10.0738	10.0779
Highest offer price per unit (Rs.)	10.0738	10.0779
Lowest offer price per unit (Rs.)	9.0922	9.2663
Highest redemption price per unit (Rs.)	10.0738	10.0779
Lowest redemption price per unit (Rs.)	9.0922	9.2663
Total return of the fund	10.80%	10.46%
Capital growth	0.31%	2.46%
Income distribution	10.49%	8.00%
Interim distribution per unit	1.0489	0.5000
Final distribution per unit	-	0.3000
Distribution dates		
Interim		18-Feb-11 & 19-Apr-11
2-Aug-11	0.0877	
6-Sep-11	0.0907	
3-Oct-11	0.0796	
2-Nov-11	0.0927	
2-Dec-11	0.0806	
3-Jan-12	0.0806	
30-Jan-12	0.0806	
28-Feb-12	0.0826	
29-Mar-12	0.0826	
27-Apr-12	0.0826	
30-May-12	0.0826	
27-Jun-12	0.1260	
Final	-	4-Jul-11
Average annual return (launch date 21-08-2010) (Since inception to June 30, 2012)	10.64%	10.46%
Portfolio Composition (Please see Fund Manager Report)		
Weighted average portfolio duration	88 days	78 days
<i>"Past performance is not necessarily indicative of future performance and that unit prices and investment return returns may go down, as well as up."</i>		