

**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 ASSETS ALLOCATION FUND

## FUND'S INFORMATION

### Management Company

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

### Board of Directors of the Management Company

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

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Farooque	Member

### Trustee

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

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Bank Al Falah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
Soneri Bank Limited  
United Bank Limited  
National Bank of Pakistan

# NAFA ASSETS ALLOCATION FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

68-B-1, M. M. Alam Road,  
Gulberg 3, Lahore.  
UAN: 042-111-111-632,  
Phone: 042-35778248-63  
Fax: 042-35876806

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

## NAFA ASSETS ALLOCATION FUND

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# NAFA ASSETS ALLOCATION FUND

## DIRECTOR'S REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present first unaudited financial statements of NAFA Asset Allocation Fund for the period from August 2, 2010 to September 30, 2010.

### Fund's Performance

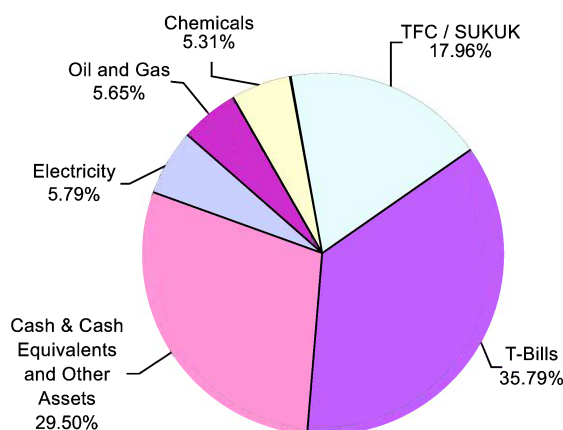
The IPO (Initial Public Offering) of the Fund was held during August 16-20, 2010. The Fund investment activity started on August 20, 2010 after the conclusion of IPO period.

During the period under review, NAFA Asset Allocation Fund's (NAAF) Net Asset Value (NAV) increased by 0.63% while the benchmark (1/3 of average 3-month bank deposit rate; 1/3 of 6-months KIBOR; 1/3 of KSE 30 Index) increased by 0.32%. Thus your Fund outperformed the benchmark by 0.31% during the quarter. This performance is net of management fee and all other expenses. The size of NAFA Asset Allocation Fund has increased by 11% to Rs.111 million since launch of the fund in August 2010.

During most of the quarter, NAAF remained heavily invested in money market instruments and high quality fixed income securities. Rising Government borrowing and inflation has forced SBP to raise the Discount Rate by another 50 basis points over the last two months. The circular debt in the energy sector has exceeded Rs 200 billion, which has resulted in tight liquidity conditions in the market. Increase in KIBOR has also improved the return on TFCs, since almost all TFCs in the market are floating rate instruments.

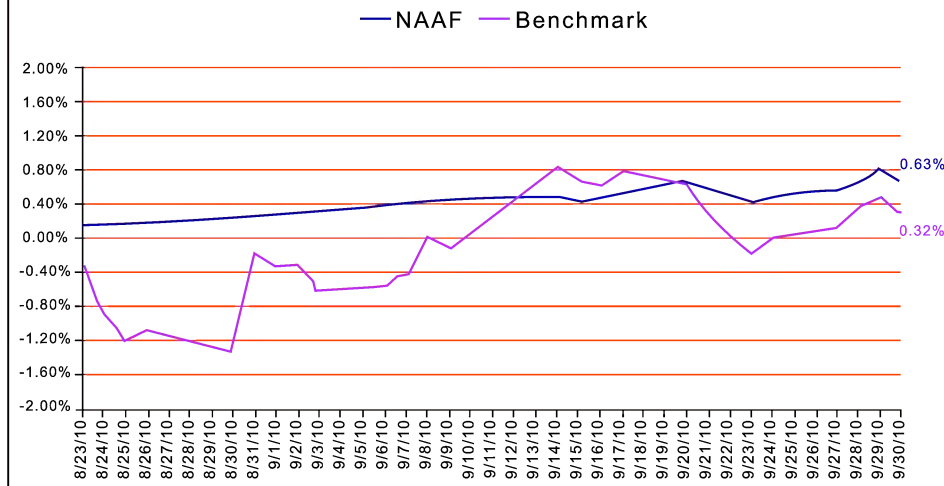
The KSE-30 Index stood at 9,674.34 points as on September 30, 2010, 1.35% lower compared to 9,806.97 points as on August 20, 2010. The performance of the stock market was affected by: (i) unprecedented floods in the country causing severe damage to agriculture and infrastructure; (ii) positive trends in foreign portfolio investment (iii) sanguine corporate earnings; (iv) higher interest rate environment.

NAFA Asset Allocation Fund has earned total income of Rs.1.31 million during the period. After deducting expenses of Rs.0.62 million, the net income is Rs.0.69 million, translating into an earning per unit of Rs.0.0626. The asset allocation of the Fund as on September 30, 2010, and its performance against the Benchmark are as follows:



# NAFA ASSETS ALLOCATION FUND

## NAAF Performance Versus Benchmark (From August 21, 2010 to September 30, 2010)



### Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited  
(formerly: National Fullerton Asset Management Limited)

Chief Executive

Director

Date: October 18, 2010  
Place: Karachi.

# NAFA ASSETS ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	Un-Audited Quarter Ended September 30, 2010 Rupees in '000
<b>ASSETS</b>		
Balances with banks		33,339
Investments	4	78,259
Dividend and profit receivable	5	689
Deposits, prepayments and other receivables		2,600
Preliminary expenses and floatation costs		978
<b>Total assets</b>		<b>115,865</b>
<b>LIABILITIES</b>		
Payable to the Management Company		1,272
Payable to the Trustee		56
Payable to the Securities and Exchange Commission of Pakistan		11
Payable against purchase of investments		2,928
Accrued expenses and other liabilities	6	602
<b>Total Liabilities</b>		<b>4,869</b>
<b>NET ASSETS</b>		<b>110,996</b>
<b>UNITHOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>110,996</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7	
<b>Number of units</b>		
<b>Number of units in issue</b>		<b>11,030,563</b>
<b>Rupees</b>		
<b>NET ASSET VALUE PER UNIT</b>		<b>10.0626</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

# NAFA ASSETS ALLOCATION FUND

## CONDENSED INTERIM INCOME STATEMENT FOR THE PERIOD ENDED FROM AUGUST 02, 2010 TO SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	For the Period from August 02, 2010 to September 30, 2010 Rupees in '000
<b>INCOME</b>		
Gain / (loss) on sale of investments - net		(57)
Income from term finance certificates		229
Income from Government Securities		762
Profit on bank deposits		509
Unrealised diminution in the value of investments carried at fair value through profit or loss - net		(175)
<b>Total income</b>		1,268
<b>EXPENSES</b>		
Remuneration of the Management Company		250
Remuneration of the Trustee		79
Annual fee - Securities and Exchange Commission of Pakistan		11
Securities transaction cost		44
Settlement & bank charges		42
Annual listing fee		3
Rating fee		26
Auditors' remuneration		59
Legal and professional charges		2
Printing charges		64
Amortisation of preliminary expenses and floatation costs		22
<b>Total expenses</b>		602
<b>Net income from operating activities</b>		666
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		38
Provision for workers' welfare fund		(14)
<b>Net income for the period before taxation</b>		690
<b>Taxation</b>	8	-
<b>Net income for the period after taxation</b>		690
<b>Earnings per unit</b>	9	

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director



# NAFA ASSETS ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED FROM AUGUST 02, 2010 TO SEPTEMBER 30, 2010 (UN-AUDITED)

	For the Period from August 02, 2010 to September 30, 2010 Rupees in '000
Net income for the period after taxation	690
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<u>690</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

# NAFA ASSETS ALLOCATION FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE PERIOD ENDED FROM AUGUST 02, 2010 TO SEPTEMBER 30, 2010 (UN-AUDITED)

	For the Period from August 02, 2010 to September 30, Rupees in '000
Net income for the period after taxation	690
<b>Undistributed income carried forward</b>	<u>690</u>
<b>Undistributed income comprising of:</b>	
Realised income	865
Unrealised income / (loss)	(175)
	<u>690</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

# NAFA ASSETS ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE PERIOD ENDED FROM AUGUST 02, 2010 TO SEPTEMBER 30, 2010 (UN-AUDITED)

For the Period  
from August 02,  
2010 to  
September 30,  
2010  
Rupees in '000

Issue of 11,090,510 units	110,947
Redemption of 59,947 units	(603)
	110,344
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	
- amount representing (income) / loss and capital (gains) / losses transferred to income statement	(38)
Net unrealised diminution in the value of investments at fair value through profit or loss	(175)
Capital loss on sale of investments - net	-
Other net income for the period	865
	690
<b>Net Assets at the end of the period</b>	<b>110,996</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

# NAFA ASSETS ALLOCATION FUND

## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED FROM AUGUST 02, 2010 TO SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	For the Period from August 02, 2010 to September 30, 2010 Rupees in '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation		690
<b>Adjustments</b>		
Net unrealised diminution in the value of investments at fair value through profit or loss		175
Amortisation of preliminary expenses and floatation costs		22
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		(38)
		<u>849</u>
<b>(Increase) / decrease in assets</b>		
Investments		(78,434)
Receivable against sale of investment		-
Dividend and profit receivable		(689)
Deposits, prepayments and other receivables		(2,600)
Preliminary expenses and floatation costs		(1,000)
		<u>(82,723)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company		1,272
Payable to the Trustee		56
Payable to Securities and Exchange Commission of Pakistan		11
Payable against purchase of investments		2,928
Accrued expenses and other liabilities		602
		<u>4,869</u>
<b>Net cash outflow on operating activities</b>		<u>(77,005)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units		110,947
Payments on redemption of units		(603)
<b>Net cash inflow from financing activities</b>		<u>110,344</u>
<b>Net increase in cash and cash equivalents during the period</b>		<u><u>33,339</u></u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

# NAFA ASSETS ALLOCATION FUND

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM AUGUST 02, 2010 TO SETEMBER 30, 2010 (UN-AUDITED)

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Asset Allocation Fund (NAAF, the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 14, 2010 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

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

The core objective of the Fund is to generate income by investing in debt & money market securities and to generate capital appreciation by investing in equity and equity related securities.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2- to the Management Company.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have been limited based on the requirements of the International Accounting Standard 34: "Interim Financial Reporting"

The directors of the asset management company declare that condensed interim financial statements give a true and fair view of the Fund.

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

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

- (a) IAS 24 related party Disclosures (revised) (effective from January 01, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

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

# NAFA ASSETS ALLOCATION FUND

## 2.3 Critical accounting estimates and judgments

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

- i) Classification and valuation of financial assets (note 3.1 and note 4)
- ii) Amortisation of preliminary expenses and floatation cost (note 3.7)

## 2.4 Accounting convention

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

## 2.5 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 condensed interim financial statements are set out below.

### 3.1 Financial assets

#### 3.1.1 Classification

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

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

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

##### b) Available for sale

These are non-derivative financial assets that are intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices. These include financial assets that are either designated in this category or not classified in any other category.

##### c) Loans and receivables

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

#### 3.1.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

# NAFA ASSETS ALLOCATION FUND

## 3.1.3 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.

## 3.1.4 Subsequent measurement

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

### a) Basis of valuation of debt securities

Investment in term finance certificates and sukuk are valued in accordance with the methodology for valuation of debt securities prescribed in the SECP's circular no. 1/2009 dated January 06, 2009. Under the said directive, investment in term finance certificates and sukuk are valued on the basis of traded, thinly traded and non traded securities. Accordingly, investment in debt securities have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the circular.

### b) Basis of valuation of Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

### c) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

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

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

Loans and receivables are carried at amortised cost using effective interest method.

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

## 3.1.5 Impairment

The carrying value of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Provision for non-performing debt securities is made in accordance with the criteria for provision of non-performing debt securities specified in Circular No. 1 dated January 06, 2009 and Circular No. 13 dated May 4, 2009 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

# NAFA ASSETS ALLOCATION FUND

## 3.1.6 Derecognition

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

## 3.1.7 Offsetting of financial assets and liabilities

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

## 3.2 Cash and cash equivalents

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

## 3.3 Derivatives

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

## 3.4 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the Statement of Assets and Liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

All reverse repo transactions are accounted for on the settlement date.

## 3.5 Spread transactions (Ready-future transactions)

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

## 3.6 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.

## 3.7 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.



# NAFA ASSETS ALLOCATION FUND

## 3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sale load is payable to the Management Company, investment facilitators or distributors.

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

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

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

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

## 3.10 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.

## 3.11 Taxation

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

The Fund is also exempt from the Provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

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

## 3.12 Proposed distributions

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

# NAFA ASSETS ALLOCATION FUND

## 3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the dividend is established.
- Income on term finance certificates, sukuk bonds and commercial papers is recognised on an accrual basis.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

## 3.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss.

	Note	Un-audited September 30, 2010 (Rupees in '000)
<b>4 INVESTMENTS</b>		
<b>4.1 At fair value through profit or loss - held for trading</b>		
Equity securities - listed	4.1.1	18,594
Term finance certificates - listed	4.1.2	19,939
Government securities - Market Treasury Bills	4.1.3	39,726
		<u>78,259</u>

## NAFA ASSETS ALLOCATION FUND

### 4.1.1 Listed equity securities - at fair value through profit or loss

Name of the investee company	Number of shares				Market value as at September 30, 2010	Investment as a percentage of		
	Purchases during the period	Bonus / Right Issue	Sales during the period	As at September 30, 2010		Net assets	Market value of total investments	Paid up capital of the investee company
Rupees in '000 ----- % -----								
<b>Oil &amp; Gas</b>								
Pakistan Oilfields Limited	20,000		8,300	11,700	2,774	2.50	3.54	0.00
Pakistan Petroleum Limited	25,500	3,500	8,700	20,300	3,500	3.15	4.47	0.00
<b>Chemicals</b>								
Fauji Fertilizer Company Limited	61,500		5,300	56,200	5,892	5.31	7.53	0.01
<b>Electricity</b>								
The Hub Power Company Limited	193,100			193,100	6,428	5.79	8.21	0.02
	<b>300,100</b>	<b>3,500</b>	<b>22,300</b>	<b>281,300</b>	<b>18,594</b>	<b>16.75</b>	<b>23.76</b>	

Carrying value as at September 30, 2010 18,754

All shares have a nominal face value of Rs 10 each

Investments include shares with market value of Rs.10.789 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No.11 dated October 23, 2007 issued by the SECP.

### 4.1.2 Term finance certificates listed-at fair value through profit or loss

All term finance certificates have a face value of Rs 5,000 each unless stated otherwise

Name of the investee company	Number of certificates / bonds			Market value as at September 30, 2010	Investment as a percentage of		
	Purchases during the period	Sale during the period	As at September 30, 2010		Net assets	Market value of total investments	Issue size
Rupees in '000 ----- % -----							
Allied Bank Ltd.	2,000		2,000	9,996	9.01	12.77	0.40
United Bank Ltd.	2,000		2,000	9,943	8.96	12.71	0.50
	<b>4,000</b>	-	<b>4,000</b>	<b>19,939</b>	<b>17.96</b>	<b>25.48</b>	

Carrying value as at September 30, 2010 19,945

## NAFA ASSETS ALLOCATION FUND

### 4.1.3 Investment in government securities - at fair value through profit or loss'

Issue date	Tenor	Face value			Balance as at June 30, 2010	Market value as a percentage of net assets	Market value as a percentage of total investments	
		Purchases during the period	Sales / matured during the period	As at September 30, 2010	Market Value			
-----Rupees in '000-----								
<b>Market Treasury Bills</b>								
September 26, 2010	12 months	10,000	10,000	-	-	-	-	
April 22, 2010	6 months	65,000	25,000	40,000	39,726	35.79	50.75	
		-	75,000	35,000	40,000	39,726	35.79	50.76

Carrying value as at September 30, 2010

39,734

**Un-audited  
September 30,  
2010  
(Rupees in '000)**

#### 5 DIVIDEND AND PROFIT RECEIVABLE

Profit on savings deposits	53
Dividend receivable on equity securities	88
Income accrued on term finance certificates	548
	<u>689</u>

#### 6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration payable	59
Bank charges payable	12
Provision for workers' welfare fund	13
Profit Payable to units holders	403
Printing charges payable	64
Others	51
	<u>602</u>

#### 7 Commitments

NIL

#### 8 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 / period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income if any for the period August 21, 2010 to September 30, 2010 as reduced by capital gains (whether realised or unrealised) to its unit holders.

#### 9 EARNINGS PER UNIT

Earnings per unit (EPU) for the period from August 21, 2010 to September 30, 2010 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

# NAFA ASSETS ALLOCATION FUND

## 10 TRANSACTIONS WITH CONNECTED PERSONS

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

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

For the period from  
August 02, 2010 to  
September 30, 2010  
(Rupees in '000)

### 10.1 Details of the transactions with connected persons are as follows:

#### NBP Fullerton Asset Management Limited - Management Company

(Formerly National Fullerton Asset Management Limited)

Management fee expense for the period	250
Preliminary expenses and floatation costs paid by the Management Company on behalf of the Fund	1,000

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

Units issued during the period (10,000,000 units)	100,000
Pre-IPO profit paid	403

#### Employees of the Management Company

Units issued during the period (4,194 units)	42
Units redeemed during the period (3,087 units)	31

#### Central Depository Company of Pakistan Limited - Trustee

Remuneration	79
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As at  
September 30,  
2010

### 10.2 Amounts outstanding as at period end

(Rupees in '000)

#### NBP Fullerton Asset Management Limited - Management Company

(Formerly National Fullerton Asset Management Limited)

Management fee payable	177
Others	40

#### Central Depository Company of Pakistan Limited - Trustee

Trustee Fee payable	56
CDS charges payable	20
Security Deposit	100

# NAFA ASSETS ALLOCATION FUND

As at  
September 30,  
2010  
(Rupees in '000)

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

Investment held by the Sponsor in the Fund (10,000,000 units)

100,626

**Employees of the Management Company**

Investment held by the executives in the Fund (1,107 units)

11

**11 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 18, 2010.

**12 GENERAL**

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

12.2 Since the fund commenced on August 02, 2010 the comparative figures for corresponding quarter last year are not available in respect of the income statement, distribution statement, statement of movement in units holders' funds and cash flow statement.

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

Chief Executive

Director