


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

FUNDS'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. Choy Peng Wah	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	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. Choy Peng Wah	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Faruque	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
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dawood Islamic Bank Limited
Dubai Islamic Bank Limited
Emirates Global Islamic 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
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

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:

NBP Corporate Branch
3rd Floor, Park Lane Tower, near Shahjahan Banquet Hall,
Officers Colony, Khanewal Road. Multan.
Tel : 92-061-6214070
Fax: 92-061-6214062
UAN: 92-061-111-111-632

NAFA RIBA FREE SAVINGS FUND

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NAFA RIBA FREE SAVINGS FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present the unaudited (reviewed) financial statements of NAFA Riba Free Savings Fund for the period from July 30, 2010 to December 31, 2010.

Fund's Performance

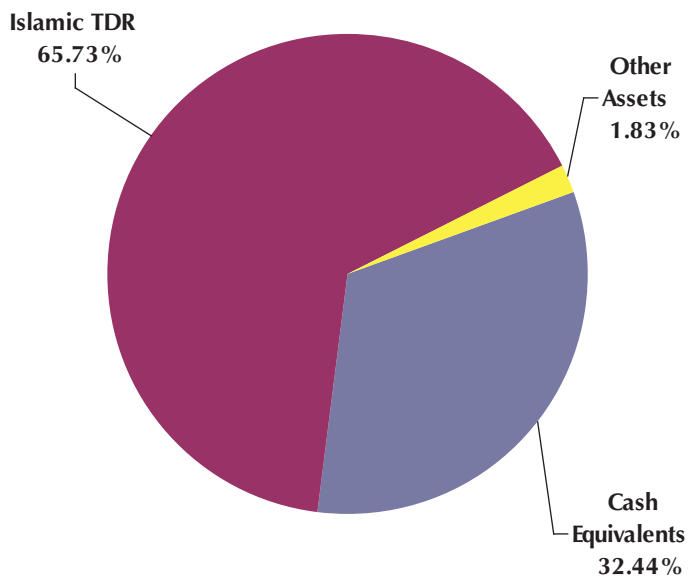
NAFA Riba Free Savings Fund commenced its investments activities on August 21, 2010 with an initial fund size Rs. 107 million. The size of the Fund has increased to Rs. 251 million as at December 31, 2010 i.e., a growth of 134.58%. During the period, the unit price of the Fund has increased from Rs. 10 to Rs. 10.3298 on December 31, 2010, thus showing an annualized return of 9.31% 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.

The income funds with short maturity profile have shown good double digit returns, and are benefitting from rising interest rates environment.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a stability rating of A+(f) to the Fund.

The Fund has earned total income of Rs.9.77 million during the period. After deducting expenses of Rs.1.76 million, the net income is Rs.8.01 million, translating into earning per unit of Rs.0.3298.

The asset allocation of the Fund as on December 31, 2010 is as follows:



NAFA RIBA FREE SAVINGS FUND

Income Distribution

The Board of Directors of the Management Company has approved an interim distribution of 2.5%.

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: February 18, 2011
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) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA Riba Free Savings Fund (the Fund), an open-end scheme was established under a trust deed dated June 29, 2010, executed between NBP Fullerton Asset Management Limited [Formerly National Fullerton Asset Management Limited], as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 30, 2010 to December 31, 2010 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, February 24, 2011

NAFA RIBA FREE SAVINGS FUND

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Riba Free Savings Fund** as at December 31, 2010, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' funds together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the period from July 30, 2010 to December 31, 2010. The Management Company (NBP Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' funds for the quarter ended December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the period from July 30, 2010 to December 31, 2010.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the period from July 30, 2010 to December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: February 18, 2011
Karachi

NAFA RIBA FREE SAVINGS FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2010

	Note	December 31, 2010 Rupees in '000
ASSETS		
Bank Balances	4	246,100
Profit and other receivables	5	5,894
Preliminary expenses and floatation costs	6	933
Total assets		252,927
LIABILITIES		
Payable to the Management Company		1,126
Payable to the Trustee		60
Annual fee payable to the Securities and Exchange Commission of Pakistan		48
Accrued and other liabilities	7	661
Total Liabilities		1,895
NET ASSETS		<u>251,032</u>
Unit holders' fund (As per statement attached)		<u>251,032</u>
CONTINGENCIES AND COMMITMENTS		8
NUMBER OF UNITS IN ISSUE		<u>24,301,778</u>
NET ASSET VALUE PER UNIT		<u>Rupees</u> <u>10.3298</u>

The annexed notes 1 to 14 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 RIBA FREE SAVINGS FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE PERIOD FROM JULY 30, 2010 TO DECEMBER 31, 2010 AND THE QUARTER ENDED DECEMBER 31, 2010

	Note	For the period from July 30, 2010 to December 31, 2010	Quarter ended December 31, 2010
Rupees in '000			
INCOME			
Profit on bank deposits and term deposit receipts		7,419	5,834
Total Income		<u>7,419</u>	<u>5,834</u>
EXPENSES			
Remuneration of the Management Company		680	484
Remuneration of the Trustee		255	176
Annual fee - Securities and Exchange Commission of Pakistan		48	38
Bank charges		76	59
Annual listing fee		9	6
Mutual fund rating fee		85	59
Printing charges		156	92
Auditors' remuneration		218	159
Amortisation of preliminary expenses and floatation costs		73	50
Total expenses		<u>1,600</u>	<u>1,123</u>
Net income from operating activities		<u>5,819</u>	<u>4,711</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		2,359	2,239
Provision for workers' welfare fund	11	(164)	(139)
Net income for the period before taxation		<u>8,014</u>	<u>6,811</u>
Taxation	9	-	-
Net income for the period after taxation		<u><u>8,014</u></u>	<u><u>6,811</u></u>
Earnings per unit	10	-	-

The annexed notes 1 to 14 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 RIBA FREE SAVINGS FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD FROM JULY 30, 2010 TO DECEMBER 31, 2010 AND THE QUARTER ENDED DECEMBER 31, 2010

Note	For the period from July 30, 2010 to December 31, 2010	Quarter ended December 31, 2010
	Rupees in '000	
Net income for the period after taxation	8,014	6,811
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>8,014</u>	<u>6,811</u>

The annexed notes 1 to 14 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 RIBA FREE SAVINGS FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM JULY 30, 2010 TO DECEMBER 31, 2010 AND THE QUARTER ENDED DECEMBER 31, 2010

	For the period from July 30, 2010 to December 31, 2010	Quarter ended December 31, 2010
	Rupees in '000	
Undistributed income brought forward		
Realised income	-	1,203
Unrealised income / (loss)	-	-
	<u>-</u>	<u>1,203</u>
Net income for the period after taxation	8,014	6,811
Undistributed income carried forward	<u>8,014</u>	<u>8,014</u>
Undistributed income comprising :		
Realised income	8,014	8,014
Unrealised income / (loss)	-	-
	<u>8,014</u>	<u>8,014</u>

The annexed notes 1 to 14 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 RIBA FREE SAVINGS FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE PERIOD FROM JULY 30, 2010 TO DECEMBER 31, 2010 AND THE QUARTER ENDED DECEMBER 31, 2010

	For the period from July 30, 2010 to December 31, 2010	Quarter ended December 31, 2010
	Rupees in '000	
Net Assets at the beginning of the period	-	127,605
Issue of 25,614,408 units	258,767	129,991
Redemption of 1,312,630 units	(13,390)	(11,136)
	245,377	118,855
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	(2,359)	(2,239)
Net income for the period	8,014	6,811
Net Assets at the end of the period	251,032	251,032

The annexed notes 1 to 14 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 RIBA FREE SAVINGS FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM JULY 30, 2010 TO DECEMBER 31, 2010 AND THE QUARTER ENDED DECEMBER 31, 2010

	Note	For the period from July 30, 2010 to December 31, 2010	Quarter ended December 31, 2010
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period before taxation		8,014	6,811
Adjustments			
Amortisation of preliminary expenses and floatation costs		73	50
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		(2,359)	(2,239)
		<u>5,728</u>	<u>4,622</u>
(Increase) / decrease in assets			
Profit and other receivables		(5,894)	(4,309)
Preliminary expenses and floatation costs		(1,006)	-
		<u>(6,900)</u>	<u>(4,309)</u>
Increase / (decrease) in liabilities			
Payable to the Management Company		1,126	(115)
Payable to the Trustee		60	2
Annual fee payable to the Securities and Exchange Commission of Pakistan		48	38
Accrued and other liabilities		661	473
		<u>1,895</u>	<u>398</u>
Net cash inflow from operating activities		<u>723</u>	<u>711</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issue of units		258,767	129,991
Net payments on redemption of units		(13,390)	(11,136)
Net cash inflow from financing activities		<u>245,377</u>	<u>118,855</u>
Net increase in cash and cash equivalents during the period		<u>246,100</u>	<u>119,566</u>
Cash and cash equivalents at the beginning of the period		-	126,534
Cash and cash equivalents at the end of the period	3.1	<u><u>246,100</u></u>	<u><u>246,100</u></u>

The annexed notes 1 to 14 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 RIBA FREE SAVINGS FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM JULY 30, 2010 TO DECEMBER 31, 2010 AND THE QUARTER ENDED DECEMBER 31, 2010

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) (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.

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 the SECP. The registered office of the Management Company is situated at 9th floor, Adamjee House, I. I. Chundrigar Road, Karachi.

NRFSF is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the management company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange. The Fund is categorized as an Open-End Islamic "Income Scheme" as per criteria laid down by Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The core 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.

As per the Trust Deed, the first accounting period shall commence from the date on which the Fund property is first paid or transferred to the Trustee. The Fund opened its bank account on July 30, 2010 for receipt of subscription towards seed capital of the Fund. Accordingly, these financial statements have been prepared for the period from July 30, 2010 to December 31, 2010.

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

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. In cases where requirements differ, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. These condensed interim financial statements are being circulated to the unit holders as required under the NBFC Regulations.

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

2.2 Standards, interpretations and amendments to published approved accounting standards as adopted in Pakistan, that are not yet effective

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

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IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. 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 Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after 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 condensed interim financial statements.

2.3 Critical accounting estimates and judgements

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 its judgment in the process of applying the Fund's 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 involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- i. Classification and valuation of financial assets (notes 3.2.1 and 4)
- ii. Amortisation of preliminary expenses and floatation costs (note 3.4)

2.4 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention.

2.5 Functional and presentation currency

These condensed interim 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 Cash and cash equivalents

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

3.2.1 Classification

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

NAFA RIBA FREE SAVINGS FUND

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term 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) 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.

c) Loans and receivables

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

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as loans and receivables are carried at amortised cost.

3.2.5 Impairment

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

3.2.6 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.

3.2.7 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.

3.3 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.

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 NBFC Regulations.

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3.5 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of that day. 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 sales load is payable to the Management Company, Investment facilitators or distributors. Transaction costs are recorded as the income of the Fund.

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

3.6 Net Asset Value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

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

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

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

3.8 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.

3.9 Proposed distributions

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

3.10 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date on which the transaction takes place.
- 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.
- Income from term deposit receipts is recognised on an accrual basis.

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	Note	As at December 31, 2010
4	BANKS BALANCES	Rupees in '000
	Current accounts	8,308
	Savings accounts	72,792
	Term Deposit Receipt (TDR)	165,000
		<u>246,100</u>
4.1	These accounts carry profit at rates ranging from 5% to 12% per annum.	
4.2	This represents TDR of Bank Alfalah Limited-Islamic, carrying profit at the rate of 13% per annum and maturing in a period of three months or less.	
5	PROFIT AND OTHER RECEIVABLES	Rupees in '000
	Profit receivable on term deposits	1,293
	Profit receivable on savings deposits	4,537
	Receivable against transfer sales	64
		<u>5,894</u>
6	PRELIMINARY EXPENSES AND FLOATATION COST	
	Preliminary expenses and floatation cost incurred	1,006
	Less: amortization during the period	73
	Balances as at December 31, 2010	<u>933</u>
7	ACCRUED AND OTHER LIABILITIES	
	Auditors' remuneration	217
	Listing Fee	9
	Bank charges	43
	Provision for workers' welfare fund	164
	Printing charges	135
	CGT	8
	Mutual Fund Rating Fee	85
		<u>661</u>
8	CONTINGENCIES AND COMMITMENTS	
	There were no contingencies and commitments outstanding as at December 31, 2010.	

NAFA RIBA FREE SAVINGS FUND

9 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 period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2011 as reduced by capital gains (whether realised or unrealised) to its unit holders.

10 EARNINGS PER UNIT

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

11 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 Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

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 has 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 the Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to make a provision for WWF amounting to Rs 0.164 million in these condensed interim financial statements.

12 TRANSACTIONS WITH CONNECTED PERSONS

- 12.1 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 the 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.
- 12.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 12.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 12.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

NAFA RIBA FREE SAVINGS FUND

	For the period from July 30, 2010 to December 31, 2010	Quarter ended December 31, 2010
12.5 Details of the transactions with connected persons are as follows:		(Rupees in '000)
NBP Fullerton Asset Management Limited - Management Company		
Management fee for the period	680	484
Units issued during the period (5,009,988 units)	50,100	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	255	176
Alexandra Fund Management Pte. Limited - Sponsor		
Units issued during the period (12,852,511 units)	129,849	79,949
Key management personnel of the Management Company		
Units issued during the period (104,463 units)	1,055	550
Amounts outstanding as at period end		As at December 31, 2010 Rupees in '000
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable		20
Others		1,106
Investment held by the Sponsor in the Fund (5,009,988 units)		51,752
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable		60
National Bank of Pakistan - Sponsor		
Balance in current account		340
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (12,852,511 units)		132,764
Key management personnel of the Management Company		
Investment held by the executives in the Fund (104,463 units)		1,079

13 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on February 18, 2011.

14 GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise specified.

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

Chief Executive

Director

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