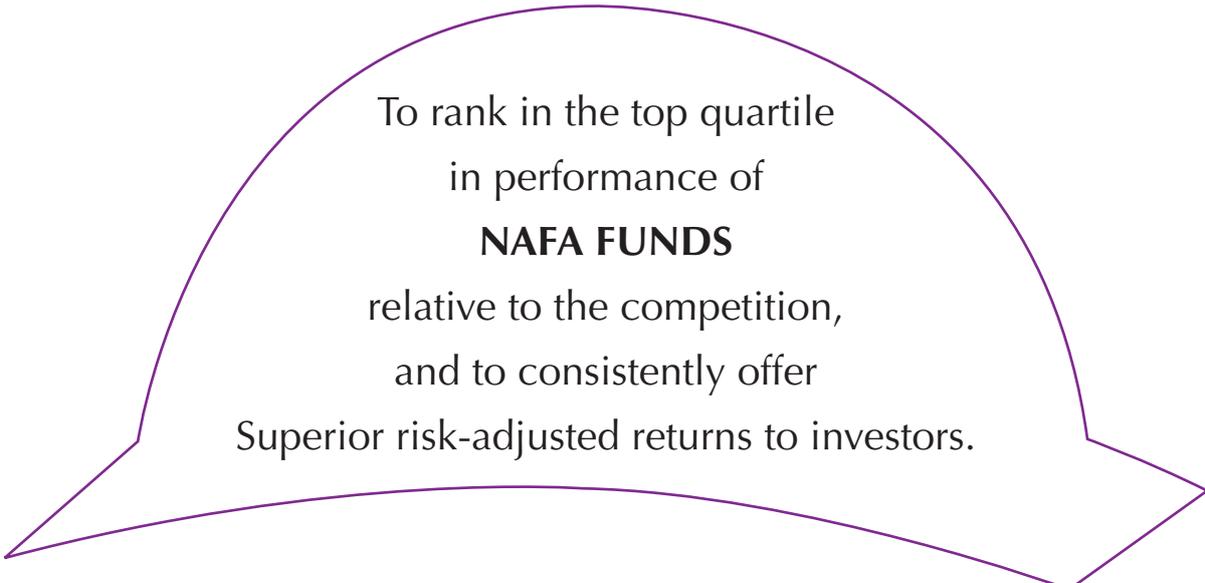


MISSION STATEMENT



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
Syed Ahmed Iqbal Ashraf	Director
Mr. Wah Geok Sum	Director
Mr. Patrick Pang Chin Hwang	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. Patrick Pang Chin Hwang	Chairman
Mr. Shehryar Faruque	Member
Syed Ahmed Iqbal Ashraf	Member

Trustee

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

Bankers to the Fund

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:

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 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 is pleased to present the First Annual Report of NAFA Riba Free Savings Fund for the period from July 30, 2010 to June 30, 2011.

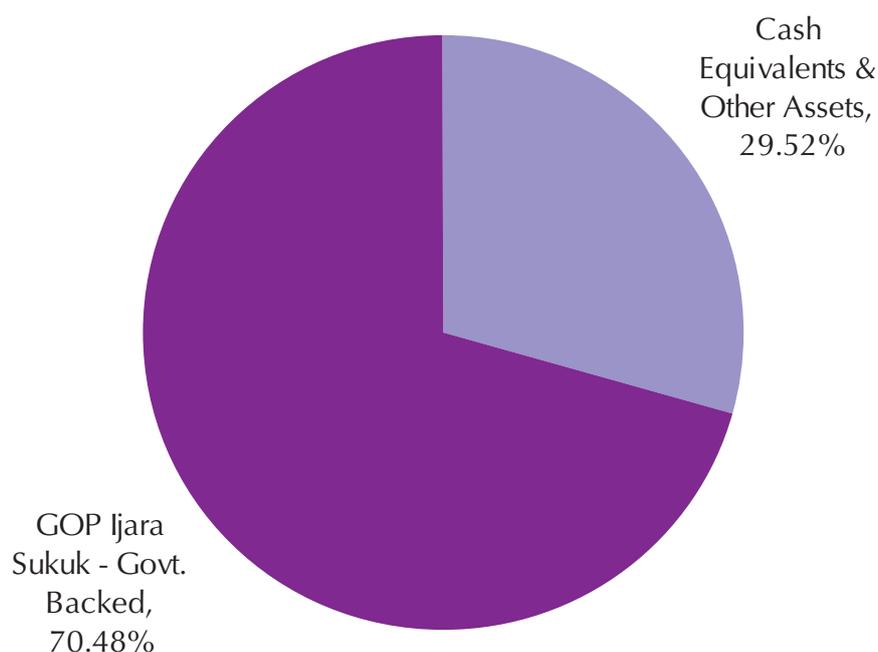
Fund's Performance

The Fund was launched on August 21, 2010; the fund size of NAFA Riba Free Savings Fund has grown to Rs. 377 million. During the period, the unit price of the Fund has increased from Rs. 9.2510 (distribution adjusted) on August 21, 2010 to Rs. 10.0779 (Ex-Div) on June 30, 2011, thus showing an annualized return of 10.46% 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 maintain stability in returns and low exposure to risks. The Fund is not authorized to invest in corporate Sukuks and the Stock Market. The Fund is invested around 70% in Government of Pakistan (GoP) Ijara Sukuks. GoP Ijara Sukuks are floating rate Shariah compliant securities with three years life at the time of issuance and six monthly coupon resets, hence an average duration of three months. This minimizes the pricing risk.

The Fund has earned a total income of Rs.31.32 million during the year. After deducting total expenses of Rs.4.67 million, the net income is Rs.26.65 million.

The asset allocation of NAFA Riba Free Savings Fund as on June 30, 2011 is as follows:



NAFA RIBA FREE SAVINGS FUND

Income Distribution

In addition to interim distribution of 5.00%, the Board of Directors of the Management Company has also approved a final distribution of 3.00%, translating into total distribution of 8.00% of the par value. After final distribution, the net asset value per unit will be Rs.10.0779 on June 30, 2011.

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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon 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 four meetings during the period. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.

NAFA 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

Dr. Amjad Waheed, CFA
Chief Executive

Shahid Anwar Khan
Chairman

Date: September 29, 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) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA Riba Free Savings Fund (the Fund), an open-end fund was established under a trust deed dated June 29, 2010, executed between NBP 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 for the period from July 30, 2010 to June 30, 2011 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, October 6, 2011

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM July 30, 2010 to June 30, 2011.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

NAFA Riba Free Savings Fund (the Fund) is an open end mutual fund and is listed at the Lahore Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of NAFA and other necessary personnel to manage its affairs.

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

- 1 The Management Company encourages representation of independent non-executive directors. At present the Board consists of seven non-executive directors including two independent directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
- 2 The directors have confirmed that none of them is serving as a director in more than ten listed companies.
- 3 All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 Casual vacancies occurred during the period in the Board of the Management Company due to resignation of Mr. Gerard Lee How Cheng and Mr. Qamar Hussain was filled by Mr. Choy Peng Wah and Syed Iqbal Ashraf on November 15, 2010 and March 25, 2011. The casual vacancy due to resignation of Mr. Choy Peng Wah was filled by Mr. Wah Geok Sum on February 18, 2011. Further, on August 09, 2010, Dr. Asif A. Brohi was appointed as a director.
- 5 The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.

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 the particulars along with the dates on which they were approved or amended has been maintained.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
- 8 The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the period. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
- 9 The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
- 10 All the members of Board are well aware of operations of the Fund and Management Company, therefore no orientation courses were arranged during the period.
- 11 The Board has approved the appointment of Head of Internal Audit and his terms of employment.
- 12 Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 13 The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
- 14 The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 20 to the financial statements "Transactions with Connected Persons".
- 15 The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
- 16 The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the Committee.
- 17 The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.

NAFA RIBA FREE SAVINGS FUND

- 18 There exists an effective internal audit function within the Management Company. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
- 19 The Statutory Auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 20 The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21 We confirm that all other material principles contained in the Code have been complied with.

Dated: September 29, 2011
Karachi

Dr. Amjad Waheed, CFA
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

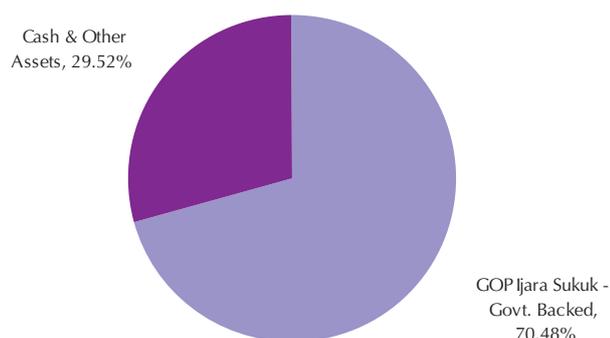
Fund's Performance Review

This is the first Annual report since the launch of the Fund on August 21, 2010. The Fund size as on June 30, 2011 is Rs. 377 million. The Fund has experienced an annualized return of 10.46% since inception. During the same period the benchmark annualized return has been 8.29%. Hence, an outperformance by over 2.17%. 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. With stability rating of AA-(f), your Fund is amongst the highest rated Riba Free Income Funds in the market. 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 Fund is not authorized to invest in corporate sukuks and the stock market.

The Fund is mainly invested in Government of Pakistan Ijara Sukuks. The outstanding amount of GOP Ijarah sukuk is around Rs.235 billion. GOP Ijarah sukuks are floating rate Shariah compliant securities with six monthly coupon resets and an average duration of three months. This minimizes pricing risk.

The asset allocation of NRFSF is fairly diversified and as on June 30, 2011 is as follows along with its credit quality:



Rating	% Allocation
AAA	70.75%
AA+	0.34%
AA	0.26%
AA-	1.70%
A	24.92%
Accruals, deferred costs & unrealized sales / (Payables)	2.03%

NAFA RIBA FREE SAVINGS FUND

Distribution for the Financial Year 2011

Period	Dividend as a % of Par Value (Rs.10)	Cumulative Dividend Price per unit (Rs)	Ex-dividend Price per unit (Rs)
Oct 01 – Dec 31, 10	2.50%	10.4644	10.2144
Jan 1- Mar 31, 10	2.50%	10.3957	10.1457
Apr 1- Jun 30, 10	3.00%	10.3779	10.0779

Subsequent to year-end, the Management has adopted the policy of monthly declaration of dividends.

During the period 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.

Following is the unit holder pattern of NAFA Riba Free Savings Fund by the size of unit holdings as of June 30, 2011.

Size of Unit Holding (Units)	# of Unit Holders
1 - 1000	11
1001 - 5000	33
5001 - 10000	27
10001 - 50000	132
50001 -100000	23
100001 - 500000	32
500001 - 1000000	4
1000001 - 5000000	2
5000001 - 10000000	1
10000001 - 100000000	1
	266

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 period from July 30, 2010 to June 30, 2011. 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

August 16, 2011/ Ramadan 15, 1432 A.H

Alhamdulillah, the period ended June 30, 2011 was the first 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, all the operations of NRFSF for the period ended June 30, 2011 have been 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.

Bilal Ahmed Qazi
Shar'iah Advisor

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

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 period from July 30, 2010 to June 30, 2011. Our engagement was carried out as required under clause 5.D.1 of the Trust Deed of the Fund.

Management Company's responsibility

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 and in the guidelines issued by the Shariah Advisor. 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 and in the guidelines issued by the Shariah Advisor (Criteria).

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 control. 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 operations of the Fund, its investments and placements have been in compliance with the Shariah principles.

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 and in the guidelines issued by the Shariah Advisor for the period from July 30, 2010 to June 30, 2011.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: October 03, 2011

NAFA RIBA FREE SAVINGS FUND

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited** (the Management Company) for and on behalf of **NAFA Riba Free Savings Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-regulation (xiii a) of the Listing Regulation No. 35 requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from July 30, 2010 to June 30, 2011.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: October 03, 2011

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, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from July 30, 2010 to June 30, 2011 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, 2011, and of its financial performance, cash flows and transactions for the period from July 30, 2010 to June 30, 2011 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the 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: October 03, 2011
Karachi

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2011

	Note	June 30, 2011 Rupees in '000
ASSETS		
Balances with banks	4	103,591
Investments	5	265,538
Profit receivable	6	9,824
Preliminary expenses and floatation costs	7	833
Total assets		379,786
LIABILITIES		
Payable to the Management Company	8	1,535
Payable to the Trustee	9	51
Payable to the Securities and Exchange Commission of Pakistan	10	158
Payable against redemption of units		321
Accrued expenses and other liabilities	11	943
Total Liabilities		3,008
NET ASSETS		376,778
UNITHOLDERS' FUND (AS PER STATEMENT ATTACHED)		376,778
CONTINGENCIES AND COMMITMENTS	12	
		Number of units
NUMBER OF UNITS IN ISSUE		36,305,724
NET ASSET VALUE PER UNIT	13	Rupees 10.3779

The annexed notes 1 to 30 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 PERIOD FROM JULY 30, 2010 TO JUNE 30, 2011

	Note	For the period from July 30, 2010 to June 30, 2011
		Rupees in '000
INCOME		
Profit on bank deposits	14	16,221
Income on GOP Ijara Sukuks		9,561
Capital gain on sale of investments - net		133
Unrealised appreciation in the value of investments at fair value 'through profit or loss' - net	5.2	198
Total income		<u>26,113</u>
EXPENSES		
Remuneration of the Management Company		2,352
Remuneration of the Trustee		554
Annual fee - Securities and Exchange Commission of Pakistan		158
Amortisation of preliminary expenses and floatation costs	7	173
Auditors' remuneration	15	347
Listing fee		20
Rating fee		200
Printing charges		157
Legal fee		10
Securities transaction cost		55
Bank charges		95
Total expenses		<u>4,121</u>
Net income from operating activities		<u>21,992</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		5,202
Provision for Workers' Welfare Fund	16	(544)
Net income for the period before taxation		<u>26,650</u>
Taxation	17	-
Net income for the period after taxation		<u>26,650</u>
Earnings per unit	18	

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JULY 30, 2010 TO JUNE 30, 2011

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

The annexed notes 1 to 30 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 PERIOD FROM JULY 30, 2010 TO JUNE 30, 2011

	For the period from July 30, 2010 to June 30, 2011
	Rupees in '000
Net income for the period after taxation	26,650
Interim distribution for the period ended December 31, 2010: 2.5% (Date of distribution: February 18, 2011) - Bonus units	(6,177)
Interim distribution for the period ended March 31, 2011: 2.50% (Date of distribution: April 19, 2011) - Bonus units	(6,982)
Undistributed income carried forward	<u>13,491</u>
Undistributed income comprising of:	
Realised income	13,293
Unrealised income	198
	<u>13,491</u>

The annexed notes 1 to 30 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 PERIOD FROM JULY 30, 2010 TO JUNE 30, 2011

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

Rupees in '000

Issue of 43,231,470 units - including 1,292,967 bonus units	426,596
Redemption of 6,925,746 units	(71,266)
	355,330
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	(5,202)
Unrealised appreciation in the value of investments 'at fair value through profit or loss'	198
Capital Gain on sale of investments - net	133
Other net income for the period	26,319
	26,650
Less: Distributions made during the period	
Interim distribution for the period ended December 31, 2010 : 2.50% (Date of distribution: February 18, 2011) - Bonus units	(6,177)
Interim distribution for the period ended March 2011 : 2.50% (Date of distribution: April 19, 2011) - Bonus units	(6,982)
	(13,159)
Interim distribution: Issue of bonus units	13,159
Net assets at the end of the period	<u>376,778</u>

The annexed notes 1 to 30 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 PERIOD FROM JULY 30, 2010 TO JUNE 30, 2011

	Note	For the period from July 30, 2010 to June 30, 2011
		Rupees in '000
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation		26,650
Adjustments		
Unrealised appreciation in the value of investments 'at fair value through profit or loss' - net		(198)
Amortisation of preliminary expenses and floatation costs		173
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		(5,202)
		21,423
(Increase) / decrease in assets		
Investments		(265,340)
Profit receivable		(9,824)
		(275,164)
Increase / (decrease) in liabilities		
Payable to the Management Company		529
Payable to the Trustee		51
Payable to Securities and Exchange Commission of Pakistan		158
Accrued expenses and other liabilities		943
		1,681
Net cash used in operating activities		(252,060)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units		426,596
Payments on redemption of units		(70,945)
Net cash generated from financing activities		355,651
Net increase in cash and cash equivalents during the period		103,591
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	4	103,591

The annexed notes 1 to 30 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 PERIOD FROM JULY 30, 2010 TO JUNE 30, 2011

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 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.

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 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 the criteria laid down by Securities and Exchange Commission of Pakistan 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.

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 June 30, 2011.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2- (Positive outlook) 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 Central Depository Company of Pakistan Limited 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 (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 the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted:

The following amendments to existing standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

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.

NAFA RIBA FREE SAVINGS FUND

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 financial statements.

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 area where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relates to classification and valuation of investments (note 3.2 and note 5).

2.4 Accounting Convention

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

2.5 Functional and presentation currency

These financial statements are presented in Pakistani 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.

3.1 Cash and cash equivalents

Cash and cash equivalents include balances with banks and other short term highly liquid investments with original maturities of three months or less which are subject to insignificant changes in value.

3.2 Financial assets

3.2.1 Classification

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

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'financial assets at fair value through profit or loss' category.

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 are the non-derivative financial assets that are designated as available for sale and are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables.

c) Loans and receivables

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

NAFA RIBA FREE SAVINGS FUND

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 Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the 'Income Statement' is reclassified from 'Unit Holders' Fund' to the 'Income Statement'.

For financial assets classified as 'loans and receivable', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to original terms. The amount of the provision is the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.2.6 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. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, 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.

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 among the unit holders.

NAFA RIBA FREE SAVINGS FUND

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 for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is not charging any sales load (front-end load).

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. Currently, the Fund is not charging any back-end load.

3.8 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.

3.9 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 at which the transaction takes place.
- Profit on bank deposits and term deposit receipts 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 Ijara Sukuks is recognised using the effective interest rate method.

	Note	June 30, 2011 Rupees in '000
4 BALANCES WITH BANKS		
Current accounts		8,949
Savings accounts	4.1	94,642
		<u>103,591</u>
4.1 These accounts carry profit at rates ranging from 5% to 12% per annum.		

NAFA RIBA FREE SAVINGS FUND

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from August 21, 2010 as per the requirements set out in the Trust Deed of the Fund.

	Note	June 30, 2011 Rupees in '000
8 PAYABLE TO THE MANAGEMENT COMPANY		
Remuneration of the Management Company	8.1	299
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>1,535</u>

8.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent 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. In the current period, the Management Company has charged its remuneration at the rate of one and a half percent of the average annual net assets of the Fund for the period from August 21, 2010 to February 28, 2011 and at the rate of one percent of the average annual net assets of the Fund for the period March 1, 2011 to June 30, 2011. The remuneration is paid to the Management Company on a monthly basis in arrears.

	Note	June 30, 2011 Rupees in '000
9 PAYABLE TO THE TRUSTEE		
Trustee fee	9.1	<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. The fee is paid on a monthly basis in arrears.

The tariff structure applicable to the Fund is as follows:

Net Assets	Tariff per annum	
	"July 30, 2010 to December 31, 2010"	"January 1, 2011 to onwards"
Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher	Rs 0.6 million or 0.17% p.a. of NAV, whichever is higher
On an amount Rs 1,000 million to 5,000 million	Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million	Rs 1.7 million plus 0.085% p.a. of NAV exceeding Rs 1,000 million
On an amount exceeding Rs 5,000 million	Rs 6.0 million plus 0.07% p.a. of NAV exceeding Rs 1,000 million	Rs 5.1 million plus 0.07% p.a. of NAV exceeding Rs 5,000 million

	Note	June 30, 2011 Rupees in '000
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual Fee	10.1	<u>158</u>

NAFA RIBA FREE SAVINGS FUND

- 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 Securities And Exchange Commission Of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund.

	Note	June 30, 2011 Rupees in '000
11 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		246
Payable to brokers		22
Bank charges payable		33
Provision for workers' welfare fund	16	544
Printing charges payable		98
		<u>943</u>

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011.

13 NET ASSET VALUE PER UNIT

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

	For the period from July 30, 2010 to June 30, 2011 Rupees in '000
14 PROFIT ON BANK DEPOSITS	
Income on savings deposits	<u>16,221</u>
15 AUDITORS' REMUNERATION	
Annual audit fee	231
Half yearly review fee	92
Out of pocket expenses	24
	<u>347</u>

16 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, challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently 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.

Subsequent to the year ended June 30, 2011, the Honorable 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. 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 made the provision for WWF amounting to Rs. 0.544 million in these financial statements.

NAFA RIBA FREE SAVINGS FUND

17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year / 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 subsequent to the year end the Management Company has distributed the required minimum percentage of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

18 EARNINGS PER UNIT

Earnings per unit (EPU) for the period from July 30, 2010 to June 30, 2011 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	-----June 30,2011-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	-----Rupees in '000-----		
Financial assets			
Balances with banks	103,591	-	103,591
Investments	-	265,538	265,538
Profit receivable	9,824	-	9,824
	<u>113,415</u>	<u>265,538</u>	<u>378,953</u>
	-----June 30,2011-----		
	Liabilities at fair value through profit or loss	Amortised cost	Total
	-----Rupees in '000-----		
Financial liabilities			
Payable to the Management Company	-	1,535	1,535
Payable to the Trustee	-	51	51
Payable against redemption of units	-	321	321
Accrued expenses and other liabilities	-	399	399
	<u>-</u>	<u>2,306</u>	<u>2,306</u>

20 TRANSACTIONS WITH CONNECTED PERSONS

20.1 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.

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

20.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

20.4 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 June 30, 2011 Rupees in '000
20.5 Details of the transactions with connected persons are as follows:	
NBP Fullerton Asset Management Limited - Management Company	
Remuneration for the period	2,352
Issue of 5,009,988 units	50,100
Issue of 249,093 bonus units	-
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 period	554
Alexandra Fund Management Pte. Limited - Sponsor	
Issue of 12,852,511 units	129,849
Issue of 639,018 bonus units	-
Pre-IPO profit paid	156
Employees of the Management Company	
Issue of 289,530 units	2,956
Issue of 6,023 bonus units	-
Redemption of 244,161 units	2,509
	June 30, 2011
Amounts outstanding as at period end	Rupees in '000
NBP Fullerton Asset Management Limited - Management Company	
Management fee payable	299
Preliminary expenses and floatation costs	1,006
Listing fee	20
Rating fee	200
Others	10
Investment held in the fund (5,259,081 units)	54,578
Central Depository Company of Pakistan Limited - Trustee	
Remuneration payable	51
National Bank of Pakistan - Sponsor	
Balance in current account	1,050
Alexandra Fund Management Pte. Limited - Sponsor	
Investment held by the Sponsor in the Fund (13,491,529 units)	140,014
Employees of the Management Company	
Investment held by the employees in the Fund (51,392 units)	533

NAFA RIBA FREE SAVINGS FUND

21 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	23
2	Sajjad Anwar	CFA / MBA Finance	11
3	Tanvir Abid	CFA / FRM	12
4	Ahmed Nouman	CFA / EMBA	15
5	Usman Khan	Passed CFA Level III/ Passed FRM both exams	2.5

21.1 Mr. Usman Khan is the manager of the Fund. He is also the fund manger of NAFA Islamic Aggressive Income Fund.

22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2011 Percentage
1 KASB Securities Limited	38.99%
2 Invest Capital And Securities (Private) Limited	37.91%
3 JS Global Capital Limited	12.64%
4 Elixir Securities Pakistan (Private) Limited	10.46%
	<u>100.00%</u>

23 PATTERN OF UNIT HOLDING

Pattern of unit holding as at June 30, 2011

-----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>

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 28th, 29th, 30th and 31st Board meetings were held on August 25, 2010, October 18, 2010, February 18, 2011 and April 19, 2011 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. Qamar Hussain*	3	1	2	29th and 30th meeting
Mr. Shahid Anwar Khan	4	4	0	
Dr. Asif A. Brohi*****	4	0	4	28th, 29th, 30th and 31st meeting
Mr. Shehryar Faruque	4	3	1	29th meeting
Mr. Kamal Amir Chinoy	4	3	1	27th and 30th meeting
Syed Iqbal Ashraf**	1	1	0	
Mr. Gerard Lee How Cheng***	3	2	1	29th meeting
Mr. Patrick Pang Chin Hwang	4	4	0	
Mr. Choy Peng Wah****	1	0	1	30th meeting
Mr. Wah Geok Sum*****	1	1	0	
Dr Amjad Waheed	4	4	0	

NAFA RIBA FREE SAVINGS FUND

- * Mr. Qamar Hussain resigned from the board with effect from March 25, 2011.
- ** Syed Iqbal Ashraf was co-opted on the board with effect from March 25, 2011.
- *** Mr. Gerard Lee How Cheng resigned from the board with effect from November 15, 2010.
- **** Mr. Choy Peng Wah was co-opted on the board with effect from November 15, 2010 and has resigned from the board with effect from February 18, 2011 .
- ***** Mr. Wah Geok Sum was co-opted on the board with effect from February 18, 2011.
- ***** Dr. Asif A. Brohi was co-opted on the board with effect from August 9, 2010

25 FINANCIAL RISK MANAGEMENT

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

25.1 Market risk

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

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

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

25.1.1 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 its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

25.1.2 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, 2011 with all other variables held constant, the net assets of the Fund and net income for the period would have been higher / lower by 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, 2011 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, 2011, the Fund does not hold any fixed rate instruments that may expose the fund to fair value interest rate risk.

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

NAFA 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

Balances with banks	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>-</u>	<u>18,773</u>

Financial liabilities

Payable to the Management Company		1,535	-	-	-	1,535
Payable to the 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>-</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>
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Off balance sheet financial instruments

		-	-	-	-	-
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Off balance sheet gap

		-	-	-	-	-
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25.1.3 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 is not exposed to any price risk as no equity securities are held by the Fund as on June 30, 2011.

25.2 Credit risk and management of 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, 2011:

Bank balances by rating category

	2011
	Percentage
A2	60.56%
A-1	28.97%
A1+	8.98%
A-1+	1.42%
A1	0.07%
A-2	0.00%
	<u>100.00%</u>

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25.2.1 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 mainly comprise of government securities and remaining transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than government.

25.3 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 to the Fund.

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.

The Fund has the ability to borrow in the short term to ensure settlement. However, during the current period, no borrowing was obtained by the Fund. 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 also has the ability to 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 period.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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

Total	Upto three months	More than three months and upto one year	More than one year
1,535	519	-	1,016
51	51	-	-
321	321	-	-
399	399	-	-
<u>2,306</u>	<u>1,290</u>	<u>-</u>	<u>1,016</u>

----- Rupees in '000 -----

Financial Liabilities

Payable to the Management Company
Payable to the Trustee
Payable on redemption of units
Accrued expenses and other liabilities

26 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund'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 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption request, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

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27 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 book values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

ASSETS	----- As at June 30, 2011 -----			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
Investment in securities - at fair value through profit or loss	-	265,538	-	265,538

28 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 04, 2011 have proposed a final distribution at the rate of 3%. The financial statements of the Fund for the period ended June 30, 2011 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 29, 2011.

30 GENERAL

30.1 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 period from July 30, 2010 to June 30, 2011
Net assets (Rs. '000')	376,778
Net Income (Rs. '000')	26,650
Net Asset Value per units (Rs.)	10.0779
Offer price per unit	10.0779
Redemption price per unit	10.0779
Highest offer price per unit (Rs.)	10.0779
Lowest offer price per unit (Rs.)	9.2663
Highest redemption price per unit (Rs.)	10.0779
Lowest redemption price per unit (Rs.)	9.2663
Total return of the fund	10.46%
Capital growth	2.46%
Income distribution	8.00%
Interim distribution per unit	0.5000
Final distribution per unit	0.3000
Distribution dates	
Interim	18-Feb-11 & 19-Apr-11
Final	4-Jul-11
Average annual return (launch date 21-08-2010) (Since inception to June 30, 2011)	10.46%
Portfolio Composition (Please see Fund Manager Report)	
Weighted average portfolio duration	78 days
"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."	

NAFA RIBA FREE SAVINGS FUND

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