

# NAFA STOCK FUND

## 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 STOCK FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

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

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

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

### Trustee

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

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Summit Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Deutsche Bank  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Silk Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (PAK) Limited  
The Bank of Punjab  
United Bank Limited

# NAFA STOCK FUND

## **Auditors**

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Cavish Court,  
A-35, Block 7 & 8,  
KCHSU, Sharae Faisal  
Karachi-75350 Pakistan

## **Legal Advisor**

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

## **Head Office:**

9th Floor, Adamjee House,  
I.I. Chundrigar Road, Karachi  
UAN: 021-111-111-NFA (632)  
Toll Free: 0800-20001  
Fax: 021-32467605

## **Lahore Office:**

House # 10 - A, Block -S, Gulberg - II, Lahore.  
UAN: (+92-42) 111-111-NFA (632)  
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## **Islamabad Office:**

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## **Peshawar Office:**

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

## **Multan Office:**

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

# NAFA STOCK FUND

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# NAFA STOCK FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Sixth Annual Report of **NAFA Stock Fund** for the year ended June 30, 2012.

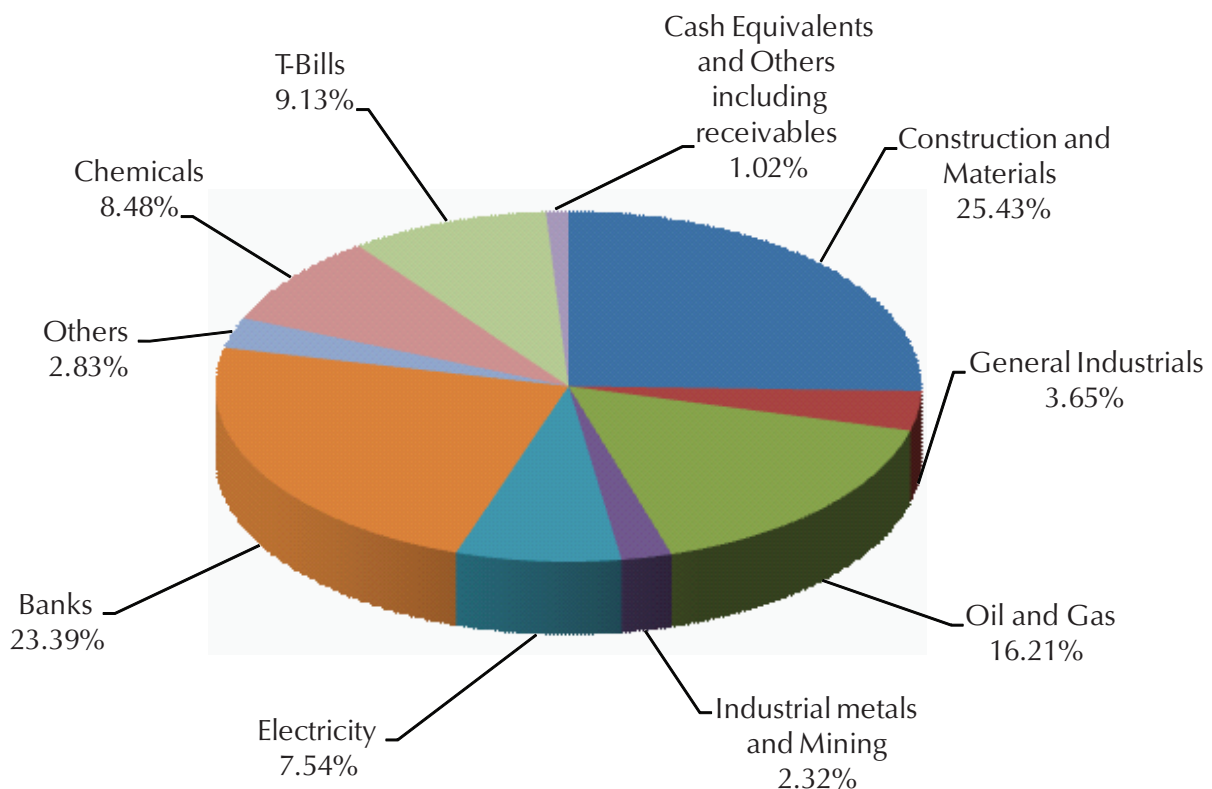
### Fund's Performance

During FY2011-12, the stock market (KSE-100 Index) rose by 10.4%. The positive trend in the market resulted from the combined effect of strong corporate earnings and payouts, improved trading activity and foreign flows, relaxation in Capital Gains Tax regime, domestic political continuity and stability on the economic front. The Oil & Gas, Chemicals, Construction & Materials, Electricity and Banks sectors performed better than the market. On the other hand, General Industrials, Automobile & Parts and Non Life Insurance sectors lagged the market.

During the fiscal year, the return on NAFA Stock Fund was 21.97% as against its benchmark (KSE-30 Index) return of 2.90%. Thus an out-performance of 19.07% during the year. NSF significantly out-performed on the back of better than the market performance of its key holdings in the Construction & Materials, Oil & Gas, Chemicals and Banking sectors. Further, the Fund was under-weight in key stocks in Oil & Gas sector and Fertilizer sub-sector that lagged the market, thereby contributing to the out-performance. Since inception (January 22, 2007), NSF has risen by 38.05%, whereas the benchmark has declined by 10.98%.

NAFA Stock Fund has earned a total income of Rs.236.16 million during the year. After deducting total expenses of Rs.43.94 million, the net income is Rs.192.22 million. During the year, the unit price of NAFA Stock Fund has increased from Rs.5.9927 (distribution adjusted) on June 30, 2011 to Rs.7.3095 (Ex-Div) on June 30, 2012.

The asset allocation of NAFA Stock Fund as on June 30, 2012 is as follows:



# NAFA STOCK FUND

## Income Distribution

The Board of Directors of the Management Company has approved a final distribution of 10%, of opening ex-NAV (6.51% of the par value). After final distribution, the net asset value per unit will be Rs.7.3095 on June 30, 2012.

## 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 M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

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

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

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 11, 2012  
Place: Karachi.

# NAFA STOCK FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA STOCK FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Stock Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 26, 2012



# NAFA STOCK FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA STOCK FUND FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Stock Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable). However, the requirement of serving as a director of seven listed companies is applicable from the date of next elections of directors.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on August 27, 2011 and March 31, 2012 during the year. First casual vacancy was filled up by the director within 24 days and the second casual vacancy was filled up by the director on the same day.
5. Subsequent to year end, the Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

# NAFA STOCK FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities and requirements of CCG, the code requires company to conduct formal orientation for directors. The board did not arrange director training /education program required under the code as all the directors meet the exemption criteria of minimum fourteen years of education and fifteen years of experience. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the Units of the Fund other than that disclosed in note 20 to the financial statements " Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of four members, who are non-executive directors and the chairman of the committee is a non-independent director.
18. The board has set up an effective internal audit function.

# NAFA STOCK FUND

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

Karachi  
September 11, 2012

For and on behalf of the board

Dr. Amjad Waheed  
Chief Executive Officer

# NAFA STOCK FUND

## NAFA Stock Fund

NAFA Stock Fund is an open-ended equity fund.

## Investment Objective of the Fund

The objective of NAFA Stock Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund is moderate to high.

## Benchmark

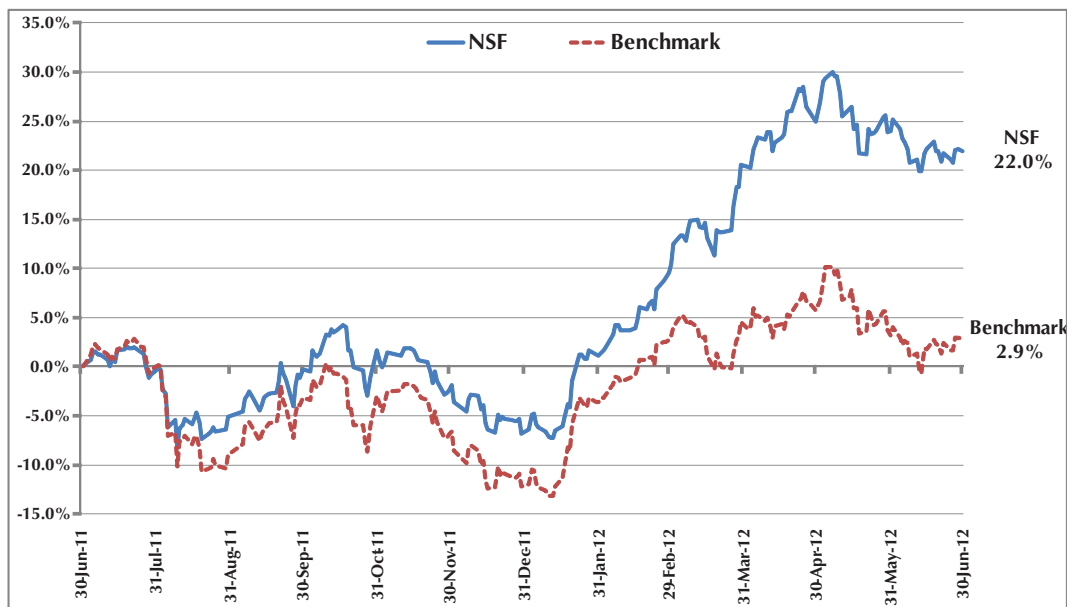
The Benchmark of the Fund is KSE-30 Index.

## Fund performance review

During the year under review, NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 21.97% whereas the Benchmark, KSE-30 Index increased by 2.90%, thereby an out-performance of 19.07% was recorded. Since inception on January 22, 2007, the NAV of NSF has risen by 38.05% while that of the benchmark has declined by 10.98%, thus to date out-performance is 49.03%. The out-performance of the Fund is net of management fee and all other expenses. Thus, NSF has met its investment objective.

NSF out-performed because its key holdings in the Construction & Materials and Banking sectors and Jute sub-sector performed better than the market. Moreover, the Fund remained under-weight in selected companies of the Oil & Gas and Chemicals sectors that lagged the market, which contributed to the out-performance. The chart below shows the performance of NSF against the benchmark for the year.

NSF Performance vs Benchmark during FY12



At the beginning of the year, NSF was around 94% invested in equities. During the year we proactively adjusted our exposure in equities. At the end of the year, NSF was around 90% invested in equities.

Key factors responsible for the healthy performance of the stock market during the year include: (i) strong corporate earnings and payouts (ii) improved trading activity (iii) relaxation in Capital Gains Tax regime (iv) improvement in domestic political climate and stability on the economic front.

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. NAFA Stock Fund does not have any soft commission arrangement with any broker in the industry.

# NAFA STOCK FUND

## Asset Allocation of the Fund (% of NAV)

Asset Allocation (% of NAV)	30-Jun-12	30-Jun-11
Equities / Stock	89.86%	93.90%
Cash Equivalents	7.07%	10.51%
T-Bills	9.13%	-
Other Net Assets / (Liabilities)	-6.06%	-4.41%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Distribution for the Financial Year 2012

Interim Period / Quarter	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Jul 1- to Jun 12	6.51%	7.9399	7.3095

## Pattern of Unit Holders for NAFA STOCK FUND as on June 30, 2012

Size of Unit Holding (Units)	# of Unit Holders
1-1000	100
1001-5000	407
5001-10000	141
10001-50000	248
50001-100000	49
100001-500000	48
500001-1000000	6
1000001-5000000	10
5000001-10000000	3
10000001-100000000	4
100000001-1000000000	-
	<b>1,016</b>

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

## Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs10,968,353/-, if the same were not made the NAV per unit/return of scheme would be higher by Rs 0.0799/1.01%. For details investors are advised to read the Note 17 of the Financial Statements of the Scheme for the year ended June 30, 2012.

# NAFA STOCK FUND

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the NBP Fullerton Asset Management Limited, the Management Company of NAFA Stock 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 personnel and review of various documents prepared by the Management Company to comply with the Code of Corporate Governance.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, the Listing Regulations of the Lahore Stock Exchanges require the Management Company to place before the Board of Directors for their consideration and approval of 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 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 under taken at arm's length price 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 year ended June 30, 2012.

M. Yousuf Adil Saleem & Co.  
**Chartered Accountants**

Karachi  
Date: September 11, 2012

# NAFA STOCK FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### Report on the Financial Statements

We have audited the accompanying financial statements of NAFA Stock Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, statement of comprehensive income, statement of cash flows, distribution statement and statement of movement in unit holders' fund for the year then ended, and notes to and forming part of the financial statements.

### Management's Responsibility for the Financial Statements

NBP Fullerton Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the 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.

### Auditors' Responsibility

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

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 state of the Fund's affairs as at June 30, 2012, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Report on other legal and regulatory requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The financial statements of the Fund for the year ended June 30, 2011, were audited by another firm of chartered accountants, who expressed an unmodified opinion on those statements on October 3, 2011.

M. Yousuf Adil Saleem & Co.  
**Chartered Accountants**

**Engagement Partner**  
Nadeem Yousuf Adil

Date: September 11, 2012  
Place: Karachi

# NAFA STOCK FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2012

	Note	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
<b>ASSETS</b>			
Balances with banks	5	77,043	97,434
Investments	6	1,079,439	870,297
Receivable against sale of investments		-	9,291
Dividend and profit receivable	7	864	2,538
Deposits and other receivables	8	2,740	2,740
Preliminary expenses and floatation costs	9	-	278
<b>Total assets</b>		<b>1,160,086</b>	<b>982,578</b>
<b>LIABILITIES</b>			
Payable to the Management Company	10	2,171	2,437
Payable to the Trustee	11	181	160
Payable to the Securities and Exchange Commission of Pakistan	12	953	907
Payable against purchase of investments		54,342	43,732
Payable against redemption of units		-	222
Accrued expenses and other liabilities	13	12,013	8,325
<b>Total liabilities</b>		<b>69,660</b>	<b>55,783</b>
<b>NET ASSETS</b>		<b>1,090,426</b>	<b>926,795</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>1,090,426</b>	<b>926,795</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14	-----Number of units-----	
Number of units in issue		<u>137,335,751</u>	<u>122,872,467</u>
		-----Rupees-----	
<b>NET ASSET VALUE PER UNIT</b>	15	<u>7.9399</u>	<u>7.5427</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA STOCK FUND

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
<b>INCOME</b>			
Net gain on sale of investments		59,863	192,253
Dividend income		71,417	57,466
Profit on bank deposits		6,238	7,028
Income from government securities		2,057	3,223
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss - held for trading'	6.3	96,583	19,227
<b>Total income</b>		<u>236,158</u>	<u>279,197</u>
<b>EXPENSES</b>			
Remuneration of the Management Company		25,300	28,672
Sales tax on remuneration of Management Company		4,049	-
Remuneration of the Trustee		1,953	1,909
Annual fee - Securities and Exchange Commission of Pakistan		954	908
Securities transaction cost		6,582	6,713
Settlement and bank charges		240	536
Amortisation of preliminary expenses and floatation costs	9	278	500
Auditors' remuneration	16	397	395
Fund rating fee		110	100
Legal and Professional charges		40	95
Annual listing fee		40	40
Printing charges		77	37
<b>Total expenses</b>		<u>40,020</u>	<u>39,905</u>
<b>Net income from operating activities</b>		<u>196,138</u>	<u>239,292</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed		-	(27,660)
Provision for Workers' Welfare Fund	17	(3,923)	(4,233)
<b>Net Income for the year before taxation</b>		<u>192,215</u>	<u>207,399</u>
Taxation	18	-	-
<b>Net income for the year after taxation</b>		<u>192,215</u>	<u>207,399</u>
<b>Earnings per unit</b>	19		

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA STOCK FUND

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

	2012	2011
	-----Rupees in '000-----	
Net income for the year after taxation	192,215	207,399
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>192,215</u>	<u>207,399</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA STOCK FUND

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	-----Rupees in '000-----	
Accumulated loss brought forward	(287,976)	(455,186)
Final distribution for the year ended June 30, 2011: 10.332% (2010: 9.163 %) (Date of distribution: July 4, 2011) (2010: July 5, 2010)		
- Bonus units	(101,560)	(100,808)
- Cash distribution	(25,392)	(23,246)
Net income for the year	192,215	207,399
Other Comprehensive Income	-	-
Interim distribution for the half-year ended December 31, 2011: Nil (2010: 1.85%)		
- Bonus units	-	(17,650)
- Cash distribution	-	(4,546)
Interim distribution for the quarter ended March 31, 2012: Nil (2011: 1.85 % )		
- Bonus units	-	(18,242)
- Cash distribution	-	(4,546)
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that forms part of the unit holders' fund	4,219	128,849
	4,219	83,865
Accumulated loss carried forward	<u>(218,494)</u>	<u>(287,976)</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA STOCK FUND

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

	2012	2011
	-----Rupees in '000-----	
Net assets at the beginning of the year	926,795	959,138
Issue of 154,578,002 units (2011: 103,034,551 units) including bonus 15,601,886 units (2011: 21,111,191 units)	954,419	602,899
Redemption of 140,114,718 units (2011: 115,548,672 units)	(957,611) (3,192)	(837,963) (235,064)
Final distribution (bonus) for the year ended June 30, 2011: 10.332% (2010: 9.163%)	101,560	100,808
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing losses and capital losses transferred to Income Statement	-	27,660
- amount representing income and capital gains that form part of the unit holders' fund transferred to Distribution Statement	(4,219) (4,219)	(128,849) (101,189)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	96,583	19,227
Net gain on sale of investments	59,863	192,253
Other net income / (loss) for the year after taxation	35,769 192,215	(4,081) 207,399
<b>Less: Distributions made during the year</b>		
Final distribution for the year ended June 30, 2011: 10.3320 % (2010: 9.163 % ) (Date of distribution: July 4, 2011) (2010: July 5, 2010)	(101,560)	(100,808)
- Bonus units	(25,392)	(23,246)
- Cash distribution		
Interim distribution for the half-year ended December 31, 2011: Nil (2010: 1.85%)		
- Bonus units	-	(17,650)
- Cash distribution	-	(4,546)
Interim distribution for the quarter ended March 31, 2012: Nil (2011: 1.85%)		
- Bonus units	-	(18,242)
- Cash distribution	-	(4,546)
	(126,952)	(169,038)
Interim distribution: Issue of bonus units	-	35,892
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that forms part of the unit holders fund	4,219	128,849
<b>Net assets at the end of the year</b>	1,090,426	926,795

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA STOCK FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 -----Rupees in '000-----	2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		192,215	207,399
<b>Adjustments:</b>			
Net unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss' - held for trading		(96,583)	(19,227)
Element of losses and capital losses included in prices of units issued less those in units redeemed - amount transferred to Income Statement		-	27,660
Amortisation of preliminary expenses and floatation costs		278	500
		95,910	216,332
<b>(Increase) / decrease in assets</b>			
Investments		(112,559)	84,200
Receivable against sale of investments		9,291	(9,291)
Dividend and profit receivable		1,674	2,441
Deposits, prepayments and other receivables		-	1,000
		(101,594)	78,350
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		(266)	(278)
Payable to the Trustee		21	5
Payable to the Securities and Exchange Commission of Pakistan		46	(302)
Payable against purchase of investments		10,610	43,732
Payable against redemption of units		(222)	-
Accrued expenses and other liabilities		3,688	4,378
Sales tax payable on management remuneration		-	-
		13,877	47,535
<b>Net cash generated from operating activities</b>		8,193	342,217
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units		954,419	602,899
Payments against redemption of units		(957,611)	(837,748)
Distributions paid		(25,392)	(32,338)
<b>Net cash used in financing activities</b>		(28,584)	(267,187)
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>		(20,391)	75,030
Cash and cash equivalents at the beginning of the year		97,434	22,404
<b>Cash and cash equivalents at the end of the year</b>	5	77,043	97,434

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA STOCK FUND

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

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Stock Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on December 06, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 20, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 9th Floor, Adamjee House, I.I Chundrigar Road, Karachi. The Management Company is a member of Mutual Funds Association of Pakistan (MUFAP).

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

The core objective of the Fund, is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2' (Positive outlook) to the Management Company and a performance ranking of 2-Star long term and 4- star short term to the Fund based on the performance of the Fund for the year ended June 30, 2011.

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for the investments which are stated at fair value.

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Fund's accounting policies, management has made the estimates and judgments relating to classification of investment as disclosed in note 3.2.1 and 6 which are significant to the financial statements.

# NAFA STOCK FUND

## 2.5 New accounting standards and IFRS interpretations that are not yet effective

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	Effective from accounting period beginning on or after July 01, 2012
Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets	Effective from accounting period beginning on or after January 01, 2012
Amendments to IAS 19 - Employee Benefits	Effective from accounting period beginning on or after January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	Effective from accounting period beginning on or after January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Fund as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Cash and cash equivalents

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

#### a) Loans and receivables

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

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

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

#### c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are investments which are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in prices.

#### 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.

# NAFA STOCK FUND

## 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 'at fair value through profit or loss' and 'available for sale' are valued as follows:

### a) Basis of valuation of equity securities

Investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

### b) Basis of valuation of government securities

Investments of the Fund in government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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

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

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

Gain or loss is also recognised in the Income Statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

## 3.2.5 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. A security purchased in the ready market is classified as 'Investment at fair value through profit or loss' and carried on the Statement of Assets and Liabilities at fair value till its eventual disposal, with the resulting gain / loss taken to the Income Statement. A forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the Income Statement.

## 3.2.6 Impairment of financial assets

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'.

### a) Equity securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security 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 'Income Statement' is reclassified from 'Unit Holders' Fund' to 'Income Statement'. Impairment losses recognised on equity instruments are not reversed through the 'Income Statement'.

### b) Financial assets other than equity securities

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



# NAFA STOCK FUND

## 3.2.7 Derecognition

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

## 3.2.8 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 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement, each derivative instrument is re-measured to its fair value and the resultant gain or loss is recognised in the Income Statement.

## 3.4 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 or cancelled or expired.

## 3.5 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, 2008.

## 3.6 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.

## 3.7 Taxation

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

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

## 3.8 Proposed distributions

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

## 3.9 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 charging sales load (front end load) at a rate of three percent of net asset value per unit. 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.

# NAFA STOCK FUND

## 3.10 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.

Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned during the period and on unrealised appreciation / (diminution) arising during the period on available for sale securities. The amount so determined is taken directly to the distribution statement.

## 3.11 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."

- Dividend income is recognised when the right to receive the dividend is established.

- Profit on bank deposits is recognised on an accrual basis.

- Income from government securities is recognised on an accrual basis.

"- Unrealised gains / losses arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise."

## 4 Change in Accounting Estimate

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

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

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

- Income for the period would have been higher by Rs 4.219 million; and

- amount taken to distribution statement would have been lower by Rs 50.484 million.

	Note	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
<b>5 BALANCES WITH BANKS</b>			
In current accounts		770	792
In savings accounts	5.1	<u>76,273</u>	<u>96,642</u>
		<u>77,043</u>	<u>97,434</u>
These accounts carry profit at rates ranging from 5 % to 12 % (2011: 5 % to 12 %) per annum.			
<b>6 INVESTMENTS</b>	Note	2012 -----Rupees in '000-----	2011 -----Rupees in '000-----
<b>Financial assets at fair value through profit or loss - held for trading</b>			
- Listed equity securities	6.1	979,829	870,297
- Government securities	6.2	<u>99,610</u>	<u>-</u>
		<u>1,079,439</u>	<u>870,297</u>

# NAFA STOCK FUND

## 6.1 Investment in listed equity securities

Name of the investee company	As at July 1, 2011	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2012	Market value as at June 30, 2012	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
----- Number of shares ----- (Rupees in '000)									
<b>SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs.10 each unless stated otherwise</b>									
<b>OIL AND GAS</b>									
Attock Petroleum Limited	45,799	75,800	-	108,357	13,242	6,282	0.58%	0.58%	0.02%
Attock Refinery Limited	50,800	473,506	-	523,800	506	62	0.01%	0.01%	0.00%
National Refinery Limited	77,908	88,800	-	166,708	-	-	-	-	-
Oil & Gas Development Company Limited	435,383	1,239,406	-	1,671,908	2,881	462	0.04%	0.04%	0.00%
Pakistan Oilfields Limited	267,100	630,785	-	672,705	225,180	82,628	7.58%	7.65%	0.10%
Pakistan Petroleum Limited	281,803	1,669,640	22,264	1,510,344	463,363	87,247	8.00%	8.08%	0.04%
Pakistan State Oil Company Limited	148,600	594,150	-	742,242	508	120	0.01%	0.01%	0.00%
<b>CHEMICALS</b>									
Arif Habib Corporation	-	1,216,500	-	1,211,000	5,500	170	0.02%	0.02%	0.01%
Engro Corporation Limited	237,269	2,165,911	178,005	2,463,000	118,185	12,036	1.10%	1.12%	0.02%
Fatima Fertilizer Company Limited	1,685,000	2,120,000	-	3,803,000	2,000	49	0.00%	0.00%	0.00%
Fauji Fertilizer Company Limited	658,245	2,787,814	100,075	3,097,896	448,238	49,777	4.56%	4.61%	0.04%
Fauji Fertilizer Bin Qasim Limited	900,100	1,324,000	-	2,224,100	-	-	-	-	-
Lotte Pakistan PTA Limited	598,000	-	-	598,000	-	-	-	-	-
Sitara Chemical Industries Limited	-	291,221	-	-	291,221	30,593	2.81%	2.83%	1.36%
<b>CONSTRUCTION AND MATERIALS</b>									
Attock Cement Pakistan Limited	-	626,521	-	-	626,521	51,024	4.68%	4.73%	0.72%
D.G. Khan Cement Company Limited	-	3,123,100	-	1,955,000	1,168,100	46,000	4.22%	4.26%	0.27%
Lucky Cement Limited	137,886	1,806,848	-	1,330,701	614,033	70,853	6.50%	6.56%	0.19%
Cherat Cement Company Limited	-	2,821,759	-	26,106	2,795,653	82,807	7.59%	7.67%	2.92%
Fauji Cement Company Limited	-	2,200,000	-	2,150,000	50,000	282	0.03%	0.03%	0.00%
Thatta Cement Company Limited	1,250,000	-	-	-	1,250,000	26,288	2.41%	2.44%	1.25%
<b>GENERAL INDUSTRIALS</b>									
Thal Limited *	319,057	13,909	52,286	57,625	327,627	30,469	2.79%	2.82%	0.44%
Ghani Glass Limited	-	27,757	-	-	27,757	1,586	0.15%	0.15%	0.03%
Cherat Packing Limited	-	264,492	-	-	264,492	7,617	0.70%	0.71%	1.54%
MACPAC Films Limited	-	5,500	-	-	5,500	92	0.01%	0.01%	0.01%
<b>INDUSTRIAL METALS AND MINING</b>									
Ayesha Steel Mills	-	550	-	-	550	5	0.00%	0.00%	0.00%
Crescent Steel and Allied Products	-	176,500	-	-	176,500	4,093	0.38%	0.38%	0.31%
International Industries Limited	-	749,209	-	-	749,209	21,165	1.94%	1.96%	0.62%
<b>ENGINEERING</b>									
Al-Ghazi Tractors Limited *	-	201	-	-	201	41	0.00%	0.00%	0.00%
Millat Tractors Limited	24,100	65,413	-	88,774	739	357	0.03%	0.03%	0.00%
<b>PERSONAL GOODS</b>									
Azgard Nine Limited (Non-voting)	806,400	-	-	-	806,400	5,645	0.52%	0.52%	0.18%
Nishat (Chunian) Limited	2,000	-	-	2,000	-	-	-	-	-
Nishat Mills Limited	1,024	525,000	-	526,024	-	-	-	-	-
<b>MEDIA</b>									
Hum Television Network Limited	860,779	-	-	-	860,779	18,076	1.66%	1.67%	1.72%
<b>FIXED LINE TELECOMMUNICATION</b>									
Pakistan Telecommunication Company Limited	-	2,052,500	-	2,047,100	5,400	74	-	-	-
Wateen Telecom Limited	1,500,000	-	-	1,046,741	453,259	907	0.08%	0.08%	0.07%
<b>ELECTRICITY</b>									
The Hub Power Company Limited	2,199,099	4,240,000	-	4,476,033	1,963,066	82,233	7.54%	7.62%	0.17%
Nishat Power Limited	1,137,869	700,000	-	1,837,869	-	-	-	-	-
<b>COMMERCIAL BANKS</b>									
Allied Bank Limited	467,648	404,500	78,262	90,889	859,521	55,164	5.06%	5.11%	0.09%
Bank Alfalah Limited	50,000	4,333,347	-	2,065,000	2,318,347	39,644	3.64%	3.67%	0.17%
Bank Al-Habib Limited	559,267	-	-	559,267	-	-	-	-	-
MCB Bank Limited	231,569	1,560,370	39,357	1,523,892	307,404	51,103	4.69%	4.73%	0.03%
Meezan Bank Limited	1,626,292	250,000	203,287	-	2,079,579	60,141	5.52%	5.57%	0.23%
National Bank of Pakistan	321	4,418,119	109,220	3,781,239	746,421	32,499	2.98%	3.01%	0.04%
United Bank Limited	359,758	1,517,477	-	1,666,272	210,963	16,535	1.52%	1.53%	0.02%
<b>FINANCIAL SERVICES</b>									
Jahangir Siddiqui & Company Limited	20,000	-	-	20,000	-	-	0.00%	0.00%	0.00%
NEXT Capital Limited	-	500,000	-	-	500,000	4,555	0.42%	0.42%	2.50%
<b>SOFTWARE AND COMPUTER SERVICES</b>									
Netsol Technologies Limited	3,880	-	-	3,880	-	-	-	-	-
<b>FOOD PRODUCERS</b>									
Engro Foods Limited	-	400,000	-	400,000	-	-	-	-	-
<b>NON-LIFE INSURANCE</b>									
TPL Direct Insurance Limited	-	96,626	-	-	96,626	1,148	0.11%	0.11%	0.21%
						<b>979,829</b>	<b>89.85%</b>	<b>90.77%</b>	
Carrying value before mark to market (listed ordinary shares) as at June 30, 2012						<b>883,207</b>			

\* The face value of each share held of Thal Limited and Al-Ghazi Tractors Limited is Rs.5.

# NAFA STOCK FUND

Investments include shares with market value of Rs 176.802 million (2011: Rs. 241.535 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

## 6.2 Investment in government securities

Issue Date	Tenor	Face Value				Market value as at June 30, 2012	Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2011	Purchases during the year	Sales/ matured during the year	As at June 30, 2012			
----- (Rupees in '000) -----								
March 10, 2011	06 Months	60,000	-	60,000	-	-	-	-
February 24, 2011	06 Months	50,000	-	50,000	-	-	-	-
July 14, 2011	06 Months	-	25,000	25,000	-	-	-	-
July 14, 2011	06 Months	-	35,000	35,000	-	-	-	-
June 16, 2011	12 Months	75,000	-	75,000	-	-	-	-
April 5, 2012	03 Months	-	50,000	50,000	-	-	-	-
April 5, 2012	03 Months	-	25,000	25,000	-	-	-	-
July 14, 2011	12 Months	-	75,000	-	75,000	74,707	7%	7%
April 19, 2012	12 Months	-	75,000	50,000	25,000	24,903	2%	2%
					<b>100,000</b>	<b>99,610</b>	<b>9%</b>	<b>9%</b>

99,649

Carrying value before mark to market (market treasury bills) as at June 30, 2012

## 6.2 Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'

	Note	2012	2011
-----Rupees in '000-----			
Market value of investments		1,079,439	870,297
Less: carrying value before mark to market		<u>(982,856)</u>	<u>(851,070)</u>
		<u>96,583</u>	<u>19,227</u>

## 7 DIVIDEND AND PROFIT RECEIVABLE

Profit accrued on bank deposits	682	428
Dividend receivable	<u>182</u>	<u>2,110</u>
	<u>864</u>	<u>2,538</u>

## 8 DEPOSITS AND OTHER RECEIVABLES

Security deposits with:		
- National Clearing Company of Pakistan Limited	2,500	2,500
- Central Depository Company of Pakistan Limited	100	100
Other receivables	<u>140</u>	<u>140</u>
	<u>2,740</u>	<u>2,740</u>

## 9 PRELIMINARY EXPENSES AND FLOATATION COSTS

Balance as at the beginning of the year	9.1	278	778
Less: Ammortisation during the year		<u>(278)</u>	<u>(500)</u>
Balance as at the end of the year		<u>-</u>	<u>278</u>

9.1 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 January 20, 2007 as per the requirements set out in the Trust Deed of the Fund.

# NAFA STOCK FUND

	Note	2012 -----Rupees in '000-----	2011
<b>10 PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	10.1	730	2,404
Front-end load payable		168	33
Sales tax payable on management remuneration	10.2	273	-
		<u>2,171</u>	<u>2,437</u>

**10.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. On January 22, 2012, the Fund has completed its five years and accordingly Management fee is currently being charged at the rate of 2 percent of the average annual net assets of the Fund from that date. Prior to January 22, 2012, Management fee was being charged at the rate of 2.5 percent of the average net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

**10.2** During the current year, sales tax @ 16% is levied on management remuneration through Sindh Sales Tax on Services Act, 2011.

	Note	2012 -----Rupees in '000-----	2011
<b>11 PAYABLE TO THE TRUSTEE</b>			
Trustee fee	11.1	<u>181</u>	<u>160</u>

**11.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2012 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	"Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher"
On an amount exceeding Rs 1,000 million	"Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million "

The fee is payable to the Trustee monthly in arrears.

	Note	2012 -----Rupees in '000-----	2011
<b>12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual Fee	12.1	<u>953</u>	<u>907</u>

**12.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an equity scheme is required to pay an annual fee to Securities and exchange Commission of Pakistan, at an amount equal to 0.095 percent of the average annual net assets of the scheme. The Fund has been categorised as an equity scheme by the Management Company.

	Note	2012 -----Rupees in '000-----	2011
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		279	285
Settlement charges		-	81
Bank charges		-	40
Provision for Workers' Welfare Fund	17	10,963	7,041
Others		771	878
		<u>12,013</u>	<u>8,325</u>

# NAFA STOCK FUND

## 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012 and June 30, 2011.

## 15 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 year end.

## 16 AUDITORS' REMUNERATION

	2012	2011
	-----Rupees in '000-----	
Audit fee	259	259
Half yearly review	105	103
Out of pocket expenses	33	33
	<u>397</u>	<u>395</u>

## 17 PROVISION FOR WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in Section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of the Collective Investment Schemes through their Trustees on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year, the Honourable Lahore High Court in a Constitutional Petition relating to the amendments brought in WWF Ordinance through the Finance Act 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional.

However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 10.968 million (including Rs 3.923 million for the current year) ,if the same were not made the NAV per unit/return of the scheme would be higher by Rs. 0.079 / 1.01%.

## 18 TAXATION

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

## 19 EARNINGS PER UNIT

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

# NAFA STOCK FUND

## 20 TRANSACTIONS WITH CONNECTED PERSONS

- 20.1 Connected persons include NBP Fullerton Asset Management Limited (formerly National 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, Taurus Securities being an entity having directorship common with that of the Management Company, 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.
- 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 and front-end load payable to the Management Company is determined in accordance with the provisions of the Regulations and the Trust Deed respectively.
- 20.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.
- 20.5 Details of significant transactions carried out by the Fund with connected persons and balances with them, as at year end, are as follows:

	For the year ended June 30, 2012	For the year ended June 30, 2011
	-----Rupees in '000-----	
<b>Transactions during the year</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management fee for the year	25,300	28,672
Front end load	61	1,281
Sales tax on remuneration of Management Company	4,049	-
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Units redeemed: Nil units (2011: 5,937,096 units)	-	40,000
Bonus units issued: 1,392,347 units (2011: 2,264,485 units)	-	-
<b>Employees of the Management Company</b>		
Units issued: 2,866,582 units (2011: 2,262,998 units)	20,322	16,159
Units redeemed 2,756,426 units (2011: 2,489,061 units)	19,579	17,177
Bonus units issued: 4,670 units (2011: 33,175 units)	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	1,953	1,909
CDS charges	201	205
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Units Issued: 4,995,922 units (2011: 5,390,840 units)	34,423	38,968
Units redeemed: 5,275,259 units (2011: 5,480,313 units)	36,471	39,792
Bonus units issued: 81,397 units (2011: 83,378 units)	-	-
<b>NBP Employees pension fund</b>		
Bonus units issued: 4,077,451 units (2011: 4,382,689 units)	-	-
<b>Taurus Securities Limited</b>		
Brokerage expense	427	392

# NAFA STOCK FUND

June 30, 2011      June 30, 2011  
-----Rupees in '000-----

## Amounts outstanding as at year end

### NBP Fullerton Asset Management Limited - Management Company

Management fee payable	1,730	2,404
Front-end load payable	168	33
Sales tax payable on management remuneration	-	-

### National Bank of Pakistan - Sponsor

Investment held by the sponsor in the Fund: 7,500,000 units (2011: 7,500,000 units)	59,549	56,570
Deposit held by the Fund with the Sponsor	762	783

### Alexandra Fund Management Pte. Limited - Sponsor

Investment held by the Sponsor in the Fund: 10,164,592 units (2011: 8,772,245 units)	80,706	66,166
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### Employees of the Management Company

Investment held in the Fund: 144,251 units (2011: 29,426 units)	1,145	222
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### Central Depository Company of Pakistan Limited - Trustee

Trustee fee payable	168	160
CDS charges payable	13	81
Security deposit	100	100

### NAFA Provident Fund Trust - Provident Fund

Investment held in the Fund: 314,885 units (2011: 512,824 units)	2,500	3,868
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### NBP Employees Pension Fund

Investment held in the Fund: 29,766,738 units (2011: 25,689,286 units)	236,345	193,767
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### Taurus Securities Limited

Brokerage payable	-	67
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## 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	24
2	Mr. Sajjad Anwar	MBA, CFA	12
3	Mr. Tanveer Abid	MBA, CFA, FRM	13

21.1 Mr. Sajjad Anwar is the Fund Manager of NAFA Stock Fund. He is also the Fund Manager of NAFA Multi Asset Fund and NAFA Islamic Multi Asset Fund.

## 22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

2012

1	Taurus Securities Limited	7.93%
2	AKD Securities Limited	6.79%
3	Foundation Securities (Private) Limited	6.56%
4	Arif Habib Securities Limited	5.39%
5	Elixir Securities Pakistan (Private) Limited	5.24%
6	KASB Securities Limited	4.82%
7	Habib Metropolitan Financial Services Limited	4.66%
8	Fortune Securities Limited	4.39%
9	Topline Securities (Private) Limited	4.31%
10	Global Securities Pakistan Limited	4.28%



# NAFA STOCK FUND

2011

1	Arif Habib Securities Limited	7.93%
2	Taurus Securities Limited	6.79%
3	KASB Securities Limited	6.56%
4	Fortune Securities Limited	5.39%
5	JS Global Capital Limited	5.24%
6	Habib Metropolitan Financial Services Limited	4.82%
7	Foundation Securities (Private) Limited	4.66%
8	Invisor Securities (Private) Limited	4.39%
9	AKD Securities Limited	4.31%
10	Elixir Securities Pakistan (Private) Limited	4.28%

## 23 PATTERN OF UNIT HOLDING

Category	As at June 30, 2012		
	Number of unit holders	Investment amount	Percentage investment
(Rupees in '000)			
Individuals	971	212,677	19.50%
Associated companies / Directors	3	142,755	13.09%
Insurance companies	2	4,564	0.42%
Bank / DFIs	2	173,757	15.93%
Retirement funds	26	546,177	50.09%
Public limited companies	10	9,604	0.88%
Others	2	892	0.08%
	1,016	1,090,426	100.00%

Category	As at June 30, 2011		
	Number of unit holders	Investment amount	Percentage investment
(Rupees in '000)			
Individuals	1,232	217,545	23.47%
Associated companies / Directors	2	122,737	13.24%
Insurance companies	-	-	0.00%
Bank / DFIs	1	127,270	13.73%
Retirement funds	34	453,565	48.94%
Public limited companies	3	376	0.04%
Others	9	5,302	0.57%
	1281	926,795	100.00%

## 24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 32nd, 33rd, 34th, 35th and 36th Board meetings were held on July 4, 2011, September 09, 2011, October 27, 2011, February 17, 2012 and April 17, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Shahid Anwar Khan	5	3	2	34th & 35th meeting
Dr. Asif A. Brohi	5	2	3	33rd, 34th & 35th meeting
Mr. Wah Geok Sum	5	2	3	33rd, 34th & 36th meeting
Mr. Patrick Pang Chin Hwang*	4	4	-	
Mr. Shehryar Faruque	5	3	2	32nd & 36th meeting
Mr. Kamal Amir Chinoy	5	3	2	34th & 35th meeting
Syed Iqbal Ashraf**	1	0	1	32nd
Dr Amjad Waheed	5	5	-	
Mr. Amir Shehzad ***	3	3	-	
Mr. Koh Boon San****	1	1	-	

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

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

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

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

# NAFA STOCK FUND

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

-----as on June 30, 2012-----

	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
<b>Assets</b>				
Balances with Banks	77,043	-	-	77,043
Investments	-	979,829	-	979,829
Receivable against sale of investments	-	-	-	-
Dividend and profit receivable	864	-	-	864
Deposits and other receivables	2,600	-	-	2,600
	<u>80,507</u>	<u>979,829</u>	<u>-</u>	<u>1,060,336</u>

-----as on June 30, 2012-----

	At fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to the Management Company	-	2,171	2,171
Payable to the Trustee	-	181	181
Payable against purchase of investments	-	54,342	54,342
Payable against redemption of units	-	-	-
Accrued expenses and other liabilities	-	1,042	1,042
	<u>-</u>	<u>57,736</u>	<u>57,736</u>

-----as on June 30, 2011-----

	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
<b>Assets</b>				
Balances with Banks	97,434	-	-	97,434
Investments	-	870,297	-	870,297
Receivable against sale of investments	9,291	-	-	9,291
Dividend and profit receivable	2,538	-	-	2,538
Deposits and other receivables	2,600	-	-	2,600
	<u>111,863</u>	<u>870,297</u>	<u>-</u>	<u>982,160</u>

-----as on June 30, 2011-----

	At fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to the Management Company	-	2,437	2,437
Payable to the Trustee	-	160	160
Payable against purchase of investments	-	43,732	43,732
Payable against redemption of units	-	222	222
Accrued expenses and other liabilities	-	1,227	1,227
	<u>-</u>	<u>47,778</u>	<u>47,778</u>

# NAFA STOCK FUND

## 26 FINANCIAL RISK MANAGEMENT

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

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

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

#### 26.1.1 Currency risk

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

#### 26.1.2 Interest rate risk

As at June 30, 2012 the Fund holds Market Treasury Bills which are classified as financial assets at fair value through profit / loss", exposing the Fund to fair value interest rate risk. In case of 100 basis point increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2012, with all other variables held constant, the net income the net income for the period and net assets would be lower / higher by Rs 0.033 million (2011: Nil).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Further, in case of variable instruments, the sensitivity analysis has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

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

Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest 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	77,043	76,273	-	-	770
Investments	1,079,439	99,610	-	-	979,829
Receivable against sale of investment	-	-	-	-	-
Dividend and profit receivable	864	-	-	-	864
Deposits and other receivables	2,600	-	-	-	2,600
	1,159,946	175,883	-	-	984,063

##### Financial Liabilities

Payable to the Management Company	2,171	-	-	-	2,171
Payable to the Trustee	181	-	-	-	181
Payable against purchase of investments	54,342	-	-	-	54,342
Payable against redemption of units	-	-	-	-	-
Accrued expenses and other liabilities	1,042	-	-	-	1,042
	57,736	-	-	-	57,736

#### On-balance sheet gap

	1,102,210	175,883	-	-	926,327
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#### Off-balance sheet financial instruments

	-	-	-	-	-
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#### Off-balance sheet gap

	-	-	-	-	-
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# NAFA STOCK FUND

As at June 30, 2011

Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk
	Upto three months	More than three months and upto one year	More than one year	
(Rupees in '000)				
<b>On-balance sheet financial instruments</b>				
<b>Financial Assets</b>				
Balances with banks	97,434	96,642	-	792
Investments	870,297	-	-	870,297
Receivable against sale of investment	9,291	-	-	9,291
Dividend and profit receivable	2,538	-	-	2,538
Deposits and other receivables	2,600	-	-	2,600
	982,160	96,642	-	885,518
<b>Financial Liabilities</b>				
Payable to the Management Company	2,437	-	-	2,437
Payable to the Trustee	160	-	-	160
Payable against purchase of investments	43,732	-	-	43,732
Payable against redemption of units	222	-	-	222
Accrued expenses and other liabilities	1,227	-	-	1,227
	47,778	-	-	47,778
<b>On-balance sheet gap</b>	<b>934,382</b>	<b>96,642</b>		<b>837,740</b>
<b>Off-balance sheet financial instruments</b>	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-

2012      2011  
Percentage per annum

The rates of return on financial instruments are as follows:

Balances with banks - in saving accounts	5.00 - 12.00	5.00 - 12.00
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## 26.1.3 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 instrument traded in the market.

The Fund's equity securities are exposed to price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss'. To manage the risk, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive documents / NBFC Regulations also limit exposure to individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of the net assets or index weight of securities whichever is higher, subject to maximum of 35% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, net income for the year would increase / decrease by Rs. 48.991 million (2011: Rs. 41.698 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

## 26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and accrued income on bank deposits. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

# NAFA STOCK FUND

The analysis below summarises the credit quality of the Fund's bank balances:

Bank balances by category	As on June 30, 2012	As on June 30, 2011
A1+, A-1+	99.16%	99.55%
A2, A-2	0.65%	0.41%
A1, A-1	0.08%	0.04%
A-3	0.11%	0.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

## 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 of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

## 26.3 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 settlement of equity securities and 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 investments that are traded in an active market and can be readily disposed off. The Fund's equity securities are considered readily realisable as they are listed on the Karachi Stock Exchange.

The Fund has the ability to borrow in the short term to ensure settlement. However, during the current year, no borrowing was obtained by the Fund. The maximum amount available to the Fund from borrowings would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Funds. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year ended June 30, 2012.

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, 2012-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	------(Rupees in '000)-----			
<b>Liabilities</b>				
Payable to the Management Company	2,171	2,171	-	-
Payable to the Trustee	181	181	-	-
Payable against purchase of investments	54,342	54,342	-	-
Payable against redemption of units	-	-	-	-
Accrued expenses and other liabilities	1,042	1,042	-	-
	57,736	57,736	-	-

	-----As at June 30, 2011-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	------(Rupees in '000)-----			
<b>Liabilities</b>				
Payable to the Management Company	2,437	2,437	-	-
Payable to the Trustee	160	160	-	-
Payable against purchase of investments	43,732	43,732	-	-
Payable against redemption of units	222	222	-	-
Accrued expenses and other liabilities	1,227	1,227	-	-
	47,778	47,778	-	-

# NAFA STOCK FUND

## 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 the fair value estimates.

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

Financial assets which are tradeable in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. Investments of the Fund in equity securities are revalued on the basis of closing quoted market prices available at the stock exchange. Investments of the Fund in government securities are revalued on the basis of rates announced by the Financial Markets Association of Pakistan. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" requires the Fund to 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)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Assets	-----As at June 30, 2012-----			
	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----				
Financial assets at fair value through profit or loss				
- Investment in listed equity securities	979,829	99,610	-	1,079,439

Assets	-----As at June 30, 2011-----			
	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----				
Financial assets at fair value through profit or loss				
- Investment in listed equity securities	870,297	-	-	870,297

## 28 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 has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable on the 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 27, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

## 29 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in its meeting held on July 9, 2012 has approved a final distribution for the year ended June 30, 2012 at the rate of 6.5100% (2011: 10.3320%). The financial statements of the Fund for the year ended June 30, 2012 do not include the effect of this appropriation which will be accounted for in the financial statements of the Fund for the year ending June 30, 2013.

# NAFA STOCK FUND

## 30 DATE OF AUTHORISATION FOR ISSUE

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

## 31 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

The bifurcation of undistributed income into realised and unrealised income at the beginning and at the end of the year, as required by the NBFC Regulations, 2008, has not been disclosed as such bifurcation is not practicable.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA STOCK FUND

## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year ended June 30, 2008	For the period ended from January 15 to June 30, 2007
Net assets (Rs. '000')	1,090,426	926,795	959,138	1,331,311	2,565,736	1,460,323
Net Income (Rs. '000')	192,215	207,399	137,552	(1,117,474)	(86,957)	442,474
Net Asset Value per units (Rs.)	7.9399	6.5095	6.1681	6.0685	11.1621	12.0871
Selling price per unit	8.1781	6.7048	6.3531	6.2506	11.2038	12.5175
Redemption price per unit	7.9399	6.5095	6.1681	6.0685	10.8599	12.0871
Highest offer price per unit (Rs.)	8.7190	6.9168	7.1319	11.3508	14.6622	12.5183
Lowest offer price per unit (Rs.)	6.1570	5.1401	5.5287	4.2803	10.4616	8.0038
Highest redemption price per unit (Rs.)	8.4650	6.7153	6.9242	11.0202	14.2175	12.0879
Lowest redemption price per unit (Rs.)	5.9772	4.9904	5.3677	4.1556	10.1393	7.7049
Total return of the fund	21.97%	28.37%	16.74%	-45.63%	-2.65%	43.47%
Capital growth	11.97%	5.62%	1.64%	-45.63%	-7.65%	20.87%
Income distribution	10.00%	22.75%	15.10%	0.00%	5.00%	22.60%
Distribution						
Interim Distribution per unit	-	0.3700	-	-	0.3022	-
Final distribution per unit	0.6510	1.0332	0.9163	-	0.3022	2.2600
Distribution dates		Feb 18, 2011 - April 19, 2011				
Interim	Nil		Nil	Nil	15-Apr-08	Nil
Final	9-Jul-11	4-Jul-11	5-Jul-10	Nil	3-Jul-08	5-Jul-07
Average annual return (launch date January 22, 2007)						
(Since inception to June 30, 2012)	38.05%					
(Since inception to June 30, 2011)		13.18%				
(Since inception to June 30, 2010)			-11.84%			
(Since inception to June 30, 2009)				-24.48%		
(Since inception to June 30, 2008)					38.91%	
(Since inception to June 30, 2007)						43.47%
Portfolio Composition (see Fund Manager report)						
Statement of past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.						