

NAFA Funds
Annual Report 2007



Managed by:
National Fullerton Asset Management Limited

Your investments & NAFA grow together

FULLERTON FUND
MANAGEMENT




NBP
NATIONAL BANK OF PAKISTAN



Joint - Venture Partners

**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

FUND'S INFORMATION**Management Company**

National Fullerton Asset Management Limited.

Board of Directors of the Management Company

Mr. Masood Karim Shaikh	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Gerard Lee How Cheng	Director
Khawaja Iqbal Hassan	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shahid Anwar Khan	Director
Mr. Masroor Ahmed Qureshi	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Masroor Ahmed Qureshi	Member

Trustee

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

Bankers to the Fund**NAFA STOCK FUND**

Allied Bank Limited
 Askari Commercial Bank Limited
 Bank Alfalah Limited
 Bank Al-Habib Limited
 Deutsche Bank
 Habib Bank Limited
 KASB Bank Limited
 MCB Bank Limited
 National Bank of Pakistan
 NIB Bank Limited
 PICIC Commercial Bank Limited
 Soneri Bank Limited
 Habib Metropolitan Bank Limited

Auditors

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

Legal Advisor

Aly Shah & Co. Advocates and Legal Consultants
Suite 502, 5th Floor
Marine Pride, BC-2, Block-7,
Khayaban-e-Iqbal
Clifton, Karachi.

Head Office

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

Lahore Office

83-A-E/1, Main Boulevard
Gulberg III
Lahore.

Islamabad Office

4th Floor, Ali Plaza
1-E, Blue Area
Islamabad.

DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the first Annual Report of **NAFA Stock Fund** for the period since launch to June 30, 2007.

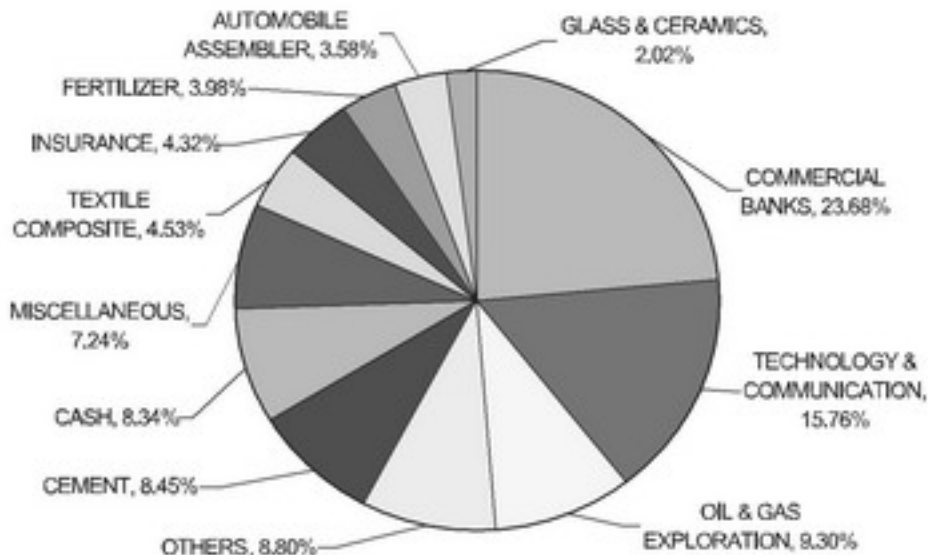
Fund's Performance

NAFA Stock Fund commenced its investment activity on January 22, 2007 with an initial fund size of Rs.800. The net assets under management have grown by 82.5% to Rs.1,460 million by June 30, 2007. During the period, Unit Price of your Fund has grown from Rs.10 on January 22, 2007 to Rs.14.35 on June 30, 2007, thus showing a growth of 43.5%. The benchmark (KSE-30 Index) has grown by 26.89%, during the same period. Thus the Fund has outperformed its benchmark by 16.61%.

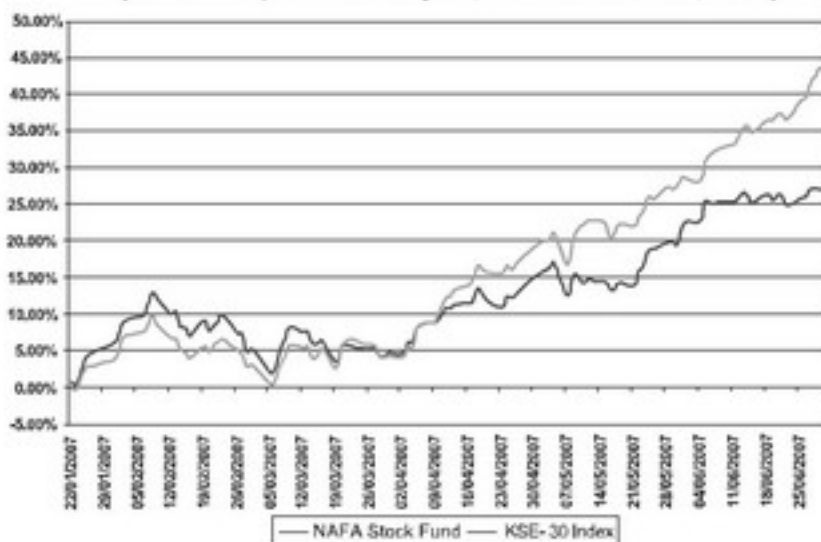
NAFA Stock Fund has earned total income of Rs.460.96 million during the year. After deducting expenses of Rs. 18.49 million, the net profit is Rs.442.47 million, translating into an earning per unit of Rs.4.35.

The asset allocation of the Fund as on June 30, 2007, and its performance against the KSE-30 Index are as follows:

Asset Allocation as on June 30, 2007



Performance Versus KSE-30 Index (Since inception January 22, 2007 till June 30, 2007)



Income Distribution

The Board of Directors of the Management Company has approved a bonus of 22.50%. This works out to 18.5976 bonus units for every 100 units held by an investor. After the distribution of bonus units, the net asset value per unit is Rs.12.0871 on June 30, 2007.

Taxation

As the above distribution is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

Pattern of Unit-holders

The pattern of Unit-holding as on June 30, 2007 is annexed to these financial statements.

Directors' Statement in Compliance with Code of Corporate Governance

The part of the Directors' report to unit-holders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements, prepared by the management company of NAFA Stock Fund, 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 NAFA Stock Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon NAFA Stock 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. The Board of Directors of National Fullerton Asset Management Limited held six meetings during the current financial year. The attendance of all directors is appended below.

Sr.#	Names of Directors	Attendances
1.	Mr. Masood Karim Shaikh, Chairman	4
2.	Dr. Amjad Waheed, Chief Executive	6
3.	Mr. Gerard Lee How Cheng	5
4.	Khanuja Iqbal Hassan	4
5.	Mr. Patrick Pang Chin Hwang	5
6.	Shaikh Khalid Jamil*	4
7.	Mr. Shahid Anwar Khan	4
8.	Mr. Masroor Ahmed Qureshi**	2

* Resigned from the Board on February 15, 2007.

** Appointed on February 15, 2007.

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing us with 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 enthusiasm shown by the staff and the Trustees.

On behalf of the Board of
National Fullerton Asset Management Limited

Masood Karim Shaikh, FCA
Chairman

Dr. Amjad Waheed, CFA
Chief Executive

Date: August 8, 2007
Place: Karachi.

NAFA Stock Fund

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

Report of the Trustee Pursuant to Rule 76(h) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003

The NAFA Stock Fund, an Open-ended Scheme established under a trust deed executed between National Fullerton Asset Management Limited as the Asset Management Company and Central Depository Company of Pakistan Limited as the Trustee on December 06, 2006. The Scheme was authorized by Securities and Exchange Commission of Pakistan (SECP) on December 20, 2006.

In our opinion, National Fullerton Asset Management Limited, the Management Company of NAFA Stock Fund has in all material respects managed NAFA Stock Fund during the period from January 15, 2007 to June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: September 17, 2007

Mohammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 43 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

National Fullerton Asset Management Limited (NAFA), the Management Company, is not listed and hence, the Code is not applicable to it. However, NAFA Stock Fund (the Fund) being listed at the Lahore Stock Exchange comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of NAFA and other necessary personnel to manage its affairs.

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

1. The Management Company encourages representation of independent non-executive directors. At present the Board consist seven directors including six independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period a casual vacancy occurred in the Board due to resignation of Shiekh Khalid Jamil which was filled by appointing Mr. Masroor Ahmed Qureshi by the Board within 30 days.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.
6. The Board has developed a vision/mision statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the period. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. All the members of Board are well aware of operations of the Fund and the Management Company, therefore no orientation courses were arranged during the period.
10. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
11. Directors Report has been prepared in compliance with the requirements of the Code 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 units of the Fund other than those disclosed in note 17 to the financial

statements "Transactions with Connected Persons/Related Parties".

14. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.
15. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.
17. There exists an effective internal audit function within the company.
16. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The Statutory Auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Dated: August 8, 2007
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of National Fullerton Asset Management Limited, Management Company of **NAFA Stock Fund** to comply with Regulation No.43 of the Listing Regulations of Lahore Stock Exchange where the Fund is listed.

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

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

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 Fund's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period ended June 30, 2007.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Stock Fund**, which comprise the statement of assets and liabilities as at June 30, 2007, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the period from January 15, 2007 to June 30, 2007, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 the Management Company, 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, 2007 and of its financial performance, cash flows and transactions for the period from January 15, 2007 to June 30, 2007 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2007

	NOTE	June 30, 2007 (Rupees in '000')
ASSETS		
Balances with banks	4	282,583
Investments	5	1,338,710
Security deposits	6	1,100
Dividend and other receivables	7	2,452
Preliminary expenses and flotation costs	8	2,278
Total assets		1,627,123
LIABILITIES		
Accrued expenses and other liabilities	9	158,145
Payable to National Fullerton Asset Management Limited - Management Company	10	8,053
Payable to Central Depository Company of Pakistan Limited - Trustee	11	177
Payable to Securities and Exchange Commission of Pakistan - Annual fee	12	425
Total liabilities		166,800
NET ASSETS		1,460,323
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		1,460,323
		Number of units
NUMBER OF UNITS IN ISSUE		101,784,945
		Rupees
NET ASSETS VALUE PER UNIT		14.3471

The annexed notes 1 to 25 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Stock Fund

INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

	NOTE	For the period January 15, 2007 to June 30, 2007 (Rupees in '000')
INCOME		
Capital gain on sale of investments		161,219
Dividend income		7,786
Profit on bank deposits	13	3,976
Unrealised gain on investments at fair value through profit or loss - net		211,834
Total Income		384,315
EXPENSES		
Remuneration of National Fullerton Asset Management Limited – Management Company	10,1	10,519
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11,1	836
Brokerage and other transaction costs		5,857
Annual fee - Securities and Exchange Commission of Pakistan	12,1	425
Annual listing fee		30
Settlement and bank charges		167
Financial charges	14	339
Auditors' remuneration	15	190
Amortisation of preliminary expenses and flotation costs	8	222
Total Expenses		18,465
Net income from operating activities		365,830
Element of income and capital gains included in prices of units issued less those in units redeemed		76,644
Net income for the period		442,474
Earnings per unit	16	

The annexed notes 1 to 25 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

DISTRIBUTION STATEMENT
FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

For the period
January 15,
2007 to
June 30, 2007
(Rupees in '000')

Net income for the period

442,474

Undistributed income carried forward

442,474

The annexed notes 1 to 25 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Stock Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

For the period
January 15,
2007 to
June 30, 2007
(Rupees in '000')

Issue of 134,891,020 units	1,486,742
Redemption of 33,106,975 units	(392,249)
	<u>1,094,493</u>
Element of income and capital gains included in prices of units issued less those in units redeemed	(76,644)
- Capital gain on sale of investments	161,219
- Net unrealised appreciation in the value of investments classified as financial assets at fair value through profit or loss	211,634
- Other net income from operations	69,621
Net income for the period	<u>442,474</u>
Net assets as at the end of the period	<u><u>1,466,323</u></u>

The annexed notes 1 to 25 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Anjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

	NOTE	For the period January 15, 2007 to June 30, 2007 (Rupees in '000')
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period		442,474
Adjustments		
Unrealised gain on investments at fair value through profit or loss - net		(211,634)
Amortisation of preliminary expenses and floatation costs		222
Element of income and capital gains included in prices of units issued less those in units redeemed		(76,844)
		154,418
(Increase)Decrease in assets		
Investments		(1,127,075)
Security deposits		(1,100)
Dividend and other receivables		(2,452)
		(1,130,628)
Increase(Decrease) in liabilities		
Accrued expenses and other liabilities		158,145
Payable to National Fullerton Asset Management Limited - Management Company		8,053
Payable to Central Depository Company of Pakistan Limited - Trustee		177
Payable to Securities and Exchange Commission of Pakistan - Annual fee		425
		166,800
Payment made for preliminary expenses and floatation costs		(2,500)
Net cash outflow on operating activities		(811,910)
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from issue of units		1,486,742
Net payments on redemption of units		(392,249)
Net cash inflow from financing activities		1,094,493
Cash and cash equivalents at the end of the period	4	282,583

The annexed notes 1 to 25 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood karim Shaikh
Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 15, 2007 TO JUNE 30, 2007

1 LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Stock Fund (NSF) was established under a Trust Deed executed between National Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustees. The Trust Deed was executed on December 06, 2006 and was authorized 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).

NSF is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The initial offer of units of NSF to the public was made on January 15, 2007.

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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Trust Deed, the NBFC Rules and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules or directives issued by the SECP differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules and the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments are carried at fair value in accordance with the criteria laid down in International Accounting Standard (IAS) 39: Financial Instruments: Recognition and Measurement.

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after November 1, 2006 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 increased disclosures in certain cases:

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 1, 2007
FRS 2 - Share based payment	effective from accounting period beginning on or after January 1, 2007
FRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
FRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007

IFRS 5 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	effective for accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	effective for accounting period beginning on or after March 1, 2007
IFRIC 12 - Service concession arrangements	effective for accounting period beginning on or after January 1, 2008

2.4 Critical accounting estimates and judgements

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

- Classification and valuation of investments (note 3.2 and note 5)
- Amortisation of preliminary expenses and floatation costs (note 3.8 and note 8)

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

3.1 Cash and cash equivalents

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

3.2 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

The management determines the appropriate classification of the investments made by the Fund in accordance with the requirements of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'Financial assets at fair value through profit or loss'. These investments are marked to market using the closing market rates at the end of each day and are carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the Income Statement.

Investments in do-listed / unquoted securities are carried at cost less impairment in value, if any.

b) Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition these investments are carried at amortised cost.

c) Available for sale

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices, are classified as 'available for sale'.

Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in equity is removed from equity and recognised in the income statement.

Investment in unquoted securities are carried at cost less impairment in value, if any.

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

3.3 Loans and receivables

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

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition these are carried at amortised cost.

3.4 Securities under resale agreements – Continuous Funding System (CFS) transactions

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention such as 'T+3' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the respective transactions. Transaction costs are included in the initial measurement of all CFS transactions except for transaction costs that may be incurred on disposal.

3.5 Spread transactions (Ready-Future Transactions)

The Fund enters into certain transactions involving purchase of a security in the ready market and simultaneous sale of the same security in the futures market. Securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative' in accordance with the requirements of International Accounting Standard 39: 'Financial Instruments: Recognition and Measurement'.

3.6 Due from and due to brokers

Amounts due from and to brokers represents receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the balance sheet date, respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

3.7 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

3.8 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.

3.9 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.

3.10 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost.

3.11 Taxation

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Fund has not recognised any amount for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its unit holders every year.

3.12 Dividend distribution

Dividend distribution to the Fund's unit holders is recognised as a liability at the time of its declaration.

3.13 Financial assets and financial liabilities

Financial assets carried on the Statement of Assets and Liabilities include balances with banks, investments, security deposits, income receivable and certain other receivables.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to National Fullerton Asset Management Limited – Management Company, payable to Central Depository Company of Pakistan Limited – Trustee, payable to Securities and Exchange Commission of Pakistan – annual fee and accrued expenses and other liabilities.

The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

3.14 Offsetting of financial instruments

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.

3.15 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 the rate of 3% of Net Asset Value (NAV).

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. Currently, the Fund is not charging any back-end load or duties or charges on redemption.

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

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

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

3.17 Net Asset Value per unit

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

3.18 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.

- Income on reverse repurchase (reverse repo) transactions and Continuous Funding System (CFS) transactions is recognised on an accrual basis.
- Dividend income is recognised on the date of book closure of the investee company / institution declaring the dividend.
- Income on term finance certificates is recognised on time proportion basis.
- Income from clean placements and certificates of investment is recognised on an accrual basis.
- Unrealised gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

	NOTE	June 30, 2007 (Rupees in '000')
4 BALANCES WITH BANKS		
Current accounts		741
Savings accounts		281,842
		<u>282,583</u>
5 INVESTMENTS		
At fair value through profit or loss - held for trading		
Investments in equity securities	5.1	<u>1,338,710</u>

5.1 Investments in equity securities

Shares of listed companies - Fully paid up ordinary shares of Rs 10 each unless otherwise stated

Name of the investee company	Number of shares				Market value as at June 30, 2007 (Rs. '000')	%age of investments in relation to net assets of the Fund
	Purchases during the period	Bonus	Sales during the period	As at June 30, 2007		
	Rs. in '000'					
Investment Banks/Companies						
Arif Habib Securities Limited	200,500	-	200,500	-	-	-
Pakistan Industrial Credit and Investment Corporation Limited	1,275,000	-	1,000,000	275,000	22,577	1.55
Commercial Banks						
Allied Bank Limited	384,500	-	14,600	370,000	51,411	3.52
Askari Bank Limited	312,000	89,500	411,500	-	-	-
Bank Al Habib Limited	651,000	86,000	717,000	-	-	-
Bank Al Falah Limited	498,500	-	-	498,500	32,452	2.22
Bank of Punjab Limited	1,168,000	36,400	754,400	450,000	52,425	3.59
Bank Islami Pakistan Limited	1,500,000	-	100,000	1,400,000	20,930	1.43
MCB Bank Limited	769,300	56,885	895,300	140,885	51,423	3.52
Meezan Bank Limited	1,097,500	-	230,000	867,500	27,760	1.90
My Bank Limited	189,500	-	189,500	-	-	-
National Bank of Pakistan	518,000	46,950	399,000	165,950	43,479	2.98
PIIC Commercial Bank Limited	700,000	-	100,000	600,000	25,400	1.81
Saudi Pak Commercial Bank Limited	1,000,000	-	125,000	875,000	22,006	1.51
Soneri Bank Limited	565,000	-	565,000	-	-	-
United Bank Limited	161,000	-	81,000	80,000	17,596	1.20

NAFA Stock Fund

Name of the investee company	Number of shares				Market value as at June 30, 2007	%age of investments in relation to net assets of the Fund
	Purchases during the period	Bonus	Sales during the period	As at June 30, 2007		
Rs. in '000'						
Insurance						
Admiral Insurance Company Limited	203,300	-	203,300	-	-	-
Eastern Federal Union General Insurance Limited	237,700	-	92,700	145,000	35,090	2.40
New Jubilee Life Insurance Limited	208,000	-	6,000	200,000	10,050	0.59
Pakistan Reinsurance Company Limited	139,700	-	59,000	80,700	17,992	1.23
Textile Composite						
Artistic Denim Mills Limited	490,000	-	15,000	475,000	33,012	2.26
Azgaro Nine Limited	170,000	-	170,000	-	-	-
Chenab Limited	1,385,000	-	595,000	800,000	11,820	0.82
Colony Mills Limited	750,000	-	50,000	700,000	12,425	0.85
Kohinoor Mills Limited	71,000	-	71,000	-	-	-
Nisbat (Churlian) Mills Limited	220,000	-	220,000	-	-	-
Sunaj Cotton Mills Limited	211,000	-	83,000	148,000	8,769	0.80
Synthetic & Rayon						
Ibrahim Fibres Limited	310,000	-	3,000	307,000	17,499	1.20
Jute						
Thal Limited	185,200	-	95,000	90,200	25,166	1.72
Sugar & Allied Industries						
Shakarganj Mills Limited	55,000	-	55,000	-	-	-
J.D.W Sugar Mills Limited	226,000	-	34,700	191,300	13,458	0.92
Cement						
Attock Cement Pakistan Limited	221,300	-	221,300	-	-	-
Cherat Cement Company Limited	37,900	-	37,900	-	-	-
D.G Khan Cement Company Limited	420,000	-	420,000	-	-	-
Kohat Cement Company Limited	1,385,000	-	10,000	1,375,000	74,938	5.13
Lucky Cement Limited	923,000	-	788,000	135,000	18,596	1.27
Maqin Leaf Cement Limited	25,000	-	25,000	-	-	-
Pioneer Cement Limited	800,000	-	-	800,000	29,920	2.05
Refinery						
National Refinery Limited	93,500	-	93,500	-	-	-
Pakistan Refinery Limited	78,200	-	78,200	-	-	-
Power & Generation & Distribution						
Hub Power Company Limited	3,238,000	-	3,238,000	-	-	-
Kohinoor Energy Limited	60,000	-	60,000	-	-	-
Kot Addu Power Company Limited	489,000	-	489,000	-	-	-
Oil & Gas Marketing Companies						
Attock Petroleum Limited	12,700	-	12,700	-	-	-
Pakistan State Oil Company Limited	478,800	-	478,800	-	-	-
Sui Northern Gas Pipelines Limited	125,000	-	125,000	-	-	-
Sui Southern Gas Company Limited	50,000	-	50,000	-	-	-
Oil & Gas Exploration Companies						
Marl Gas Company Limited	141,600	-	5,000	136,600	23,905	1.84
Oil & Gas Development Company Limited	2,604,000	-	1,494,000	540,000	64,692	4.43
Pakistan Oilfields Limited	450,300	-	450,300	-	-	-
Pakistan Petroleum Limited	830,000	-	650,000	180,000	47,241	3.23

Name of the investee company	Number of shares			Market value as at June 30, 2007	%age of investments in relation to net assets of the Fund
	Purchases during the period	Bonus	Sales during the period		
			As at June 30, 2007		
				Rs. in '000'	
Engineering					
Crescent Steel and Allied Products Limited	465,500	-	455,500	-	-
International Industries Limited	25,000	-	25,000	-	-
Sazgar Engineering Works Limited	400,000	-	-	400,000	29,660
					1.98
Automobile Assemblers					
Ghandara Industries Limited	442,000	-	-	442,000	23,514
Ghandara Nissan Limited	409,000	-	-	409,000	17,178
Indus Motor Company Limited	125,000	-	125,000	-	-
Pak Suzuki Motor Company Limited	108,700	54,350	163,050	-	-
Millat Tractors Limited	35,000	-	-	35,000	11,603
					0.79
Auto Mobile Parts & Accessories					
Agriauto Industries Limited	137,300	-	137,300	-	-
Atlas Battery Limited	11,400	-	11,400	-	-
Cable & Electrical Goods					
Pak Elektron Limited	200,000	-	200,000	-	-
Transport					
Pakistan National Shipping Corporation Limited	460,300	-	235,800	224,500	21,103
Pakistan International Container Terminal Limited	170,100	-	170,100	-	-
Technology & Communications					
Callmate Telelps Telecom Limited	365,000	-	365,000	-	-
Eye Television Network Limited	1,124,500	-	224,500	900,000	44,910
Pakistan Telecommunication Company Limited	1,150,000	-	150,000	1,000,000	57,000
Netool Technologies Limited	2,368,500	185,750	858,000	1,686,250	128,237
					8.78
Fertilizers					
Engro Chemicals Pakistan Limited	460,900	-	230,000	230,000	58,100
Fauji Fertilizer Company Limited	200,000	-	200,000	-	-
Fauji Fertilizer Bin Qasim Limited	1,670,000	-	1,670,000	-	-
Glass & Ceramics					
Ghani Glass Limited	245,000	-	-	245,000	18,706
Tariq Glass Industries Limited	155,500	-	-	155,500	10,768
					0.74
Miscellaneous					
EcoPack Limited	407,500	-	-	407,500	8,721
Pace (Pakistan) Limited	1,435,500	-	-	1,435,500	40,912
Siddiqsons Tin Plate Limited	560,000	-	-	560,000	18,116
Tri Pack Films Limited	281,500	-	-	281,500	37,960
					2.60
				1,338,710	91.66
Cost of investments as at June 30, 2007				1,127,876	

NAFA Stock Fund

	NOTE	June 30, 2007 (Rupees in '000')
6 SECURITY DEPOSITS		
Security deposits with:		
- National Clearing Company of Pakistan Limited		1,000
- Central Depository Company of Pakistan Limited		100
		<u>1,100</u>
7 DIVIDEND AND OTHER RECEIVABLES		
Dividend receivable on equity securities		2,215
Profit receivable on bank deposits		237
		<u>2,452</u>
8 PRELIMINARY EXPENSES AND FLOATATION COSTS		
Opening Balance	8.1	2,500
Less: amortisation during the period		222
Balance as at June 30		<u>2,278</u>
8.1	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 the end of the initial period (i.e. January 20, 2007) as per the requirements set out in the Trust Deed of the Fund.	
9 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		190
Payable to Alexandria Fund Management Pte. Limited		682
Settlement charges payable		27
Financial charges payable		319
Payable to brokers against purchase of investments		156,836
Others		19
		<u>158,145</u>
10 PAYABLE TO NATIONAL FULLERTON ASSET MANAGEMENT LIMITED – MANAGEMENT COMPANY		
Management fee	10.1	2,358
Others		5,695
		<u>8,053</u>
10.1	Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, 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. The Management Company has charged its remuneration at the rate of two and a half percent per annum for the current period.	
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee fee	11.1	<u>177</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 Value (NAV) of the Fund.	
12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual Fee	12.1	<u>425</u>
12.1	Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, an open ended scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to one-tenth of one percent of the average annual net assets of the Scheme.	

	NOTE	For the Period January 15, 2007 to June 30, 2007 (Rupees in '000')
13 PROFIT ON BANK DEPOSITS		
Income on savings deposits		3,676
14 FINANCIAL CHARGES	14.1	338
14.1	During the period NAFA Stock Fund has entered into an agreement with a bank on March 21, 2007 for providing short term running finance facility to meet redemption requests. In accordance with the terms of this arrangement, the Bank, has agreed to provide, from time to time, financing upto an aggregate sum of Rs.100,000,000. The facility is secured against demand promissory note and lien and pledge over the securities of the Fund. The facility carries mark-up at 12.14% per annum and is due to expire in March 2008. The Fund has availed the facility at various times during the period. However, the facility was unutilised at period end. The above financial charges pertain to mark-up charges on the facility utilised during the period and stamp duty.	
15 AUDITORS' REMUNERATION		
Audit fee		175
Out of pocket expenses		15
		190
16 EARNINGS PER UNIT		
Earnings per unit (EPU) for the period ended June 30, 2007 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.		
17 TRANSACTIONS WITH CONNECTED PERSONS		
Connected persons include National Fullerton Asset Management Limited being the Management Company and National Bank of Pakistan, Nibb Bank Limited and Alexandra Fund Management Pte. Limited being the Sponsors.		
The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market norms.		
Transactions during the period		
National Fullerton Asset Management Limited - Management Company		
Management fee		10,619
Preliminary expenses and flotation cost		2,500
National Bank of Pakistan - Sponsor		
Investment made by the Sponsor in the Fund (11,200,000 units)		112,000
Profit paid by the Fund on pre-IPO investment		518
Nibb Bank Limited - Sponsor		
Investment made by the Sponsor in the Fund (7,500,000 units)		75,000
Profit paid by the Fund on pre-IPO investment		410
Income on bank deposits		1,792
Alexandra Fund Management Pte. Limited - Sponsor		
Investment made by the Sponsor in the Fund (10,000,000 units)		100,000
Profit accrued by the Fund on Pre-IPO investment		692
Chief Executive Officer		
Units Issued (1,069,659 units)		11,224
Units Redeemed (24,580 units)		300
Executive Staff		
Units Issued (877,188 units)		10,293
Units Redeemed (748,618 units)		9,509

June 30, 2007
(Rupees in '000')

Balances at period end

National Fullerton Asset Management Limited - Management Company

Management fee payable at June 30, 2007

2,358

Other payable

5,695

National Bank of Pakistan - Sponsor

Investment made by the Sponsor in the Fund (11,200,000 units)

160,688

Deposit held by the Fund with the Sponsor at June 30, 2007

540

NIB Bank Limited - Sponsor

Investment made by the Sponsor in the Fund (7,500,000 units)

107,603

Deposit held by the Fund with the Sponsor at June 30, 2007

22,668

Alexandra Fund Management Pte. Limited - Sponsor

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

143,471

Profit payable by the Fund on pre-IPO investment

692

Chief Executive Officer

Investment held by the Chief Executive Officer (1,045,279 units)

14,997

Executive Staff

Investment held in the Fund (128,552 units)

1,844

18 YIELD / INTEREST RATE RISK

- 18.1** The Fund is mainly exposed to make-up / interest rate risk on its bank balances in savings accounts. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that risk is managed within acceptable limits. Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual re-pricing or maturity date and for off balance sheet instruments is based on settlement date.

June 30, 2007				
Total	-Exposed to Yield/Interest 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	262,563	281,842	-	-	741
Investments	1,338,710	-	-	-	1,338,710
Security deposits	1,100	-	-	-	1,100
Dividend and other receivables	2,452	-	-	-	2,452
	<u>1,624,845</u>	<u>281,842</u>	<u>-</u>	<u>-</u>	<u>1,343,003</u>

Financial Liabilities

Accrued expenses and other liabilities	158,145	-	-	-	158,145
Payable to National Fullerton Asset Management Limited - Management Company	8,053	-	-	-	8,053
Payable to Central Depository Company of Pakistan Limited - Trustee	177	-	-	-	177
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	425	-	-	-	425
	<u>166,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,800</u>

On-balance sheet gap

	<u>1,458,045</u>	<u>281,842</u>	<u>-</u>	<u>-</u>	<u>1,176,203</u>
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Off-balance sheet financial instruments

June 30, 2007
Percentage
Per annum

18.2 The rates of return on financial instruments are as follows:

Balances with banks 1.30 - 10.50

19 MATURITIES OF ASSETS AND LIABILITIES

The maturity profile of the Fund's assets and liabilities based on contractual maturities is given below:

	June 30, 2007			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
Assets				
Balances with banks	282,583	282,583	-	-
Investments	1,338,710	1,338,710	-	-
Security deposits	1,100	-	-	1,100
Dividend and other receivables	2,452	2,452	-	-
Preliminary expenses and floatation costs	2,278	125	375	1,778
	1,627,123	1,623,870	375	2,878
Liabilities				
Accrued expenses and other liabilities	158,145	158,145	-	-
Payable to National Fullerton Asset Management Limited - Management Company	8,053	8,053	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	177	177	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee	425	425	-	-
	166,800	166,800	-	-
	1,460,323	1,457,070	375	2,878

20 RISK MANAGEMENT POLICIES

20.1 Market risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market interest rates or market price of securities due to change in credit rating of the issuer of the instrument, change in market sentiments, supply and demand of securities and liquidity in the market. There is a possibility of default of participants and of failure of the financial markets / stock exchanges, the depositories, the settlement or the clearing system etc.

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

20.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

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 Management believes that the Fund's portfolio of financial instruments is diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

20.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset at close to its fair value. In addition, the Fund is exposed to daily cash redemptions of units. The Management Company manages liquidity risk by following internal guidelines such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

20.4 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. A Fund is exposed to yield / interest rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Fund manages this risk by matching the repricing of financial assets and liabilities through risk management strategies. The position for financial instruments is based on earlier of contractual repricing date or maturity.

21 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 on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

22 PERFORMANCE TABLE

	For the Period ended June 30, 2007
Net assets at the period end (Rs. '000)	1,460,323
Net income for the period end (Rs. '000)	442,474
Net Asset Value per unit at the period end (Rs.)	14,3471
Earnings per unit (Rs.) - (note 16)	
Dividend distribution (%) - (note 23)	
Highest offer price per unit (Rs.)	14,7783
Lowest offer price per unit (Rs.)	10,2638
Highest redemption price per unit (Rs.)	14,3479
Lowest redemption price per unit (Rs.)	9,9648

23 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on July 05, 2007 have proposed a bonus issue at the rate of 22.60 percent. The financial statements of the Fund for the period ended June 30, 2007 do not include the effect of the bonus issue which will be accounted for in the financial statements of the Fund for the year ending June 30, 2008.

24 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on _____.

25 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Anjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

PATTERN OF UNIT-HOLDING
As on June 30, 2007

S. No.	Particulars	No. of Accounts (%)	Units Held	Units Held (%)
1.	ASSOCIATE CONCERN	0.70	28,700,000	28.20
2.	BANKS & FINANCIAL INSTITUTIONS	2.82	21,374,296	21.00
3.	CORPORATE	1.17	15,451,208	15.18
4.	DIRECTOR	0.23	1,045,279	1.03
5.	INDIVIDUALS	89.68	15,489,869	15.22
6.	OTHERS	0.47	1,000	0.00
7.	TRUST	4.93	19,723,293	19.37
	Total	100.00	101,784,945	100.00



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