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

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Asif Hassan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Khalid Mahmood	Director
Mr. Aamir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource Committee

Mr. Khalid Mahmood	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

Trustee

MCB Financial Service Limited
3rd Floor, Adamjee House,
I.I. Chundrigar Road Karachi - 74000

Bankers to the Fund

Al-Baraka Islamic Bank
Bank Alfalah Limited
Burj Bank Limited
National Bank of Pakistan
NIB Bank Limited
Dubai Islamic Bank Limited
Meezan Bank Limited
Habib Bank Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02
Beaumont Road,
Karachi - 75530, Pakistan.

Legal Advisor

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

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 111-111-NFA (111-111-632)
Helpline (Toll Free): 0800-20001
Fax: (021) 35825329

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town Lahore.
Contact: 042-35914272

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

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DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Sixth Annual Report of **NAFA Islamic Aggressive Income Fund (NIAIF)** for the year ended June 30, 2013.

Fund's Performance

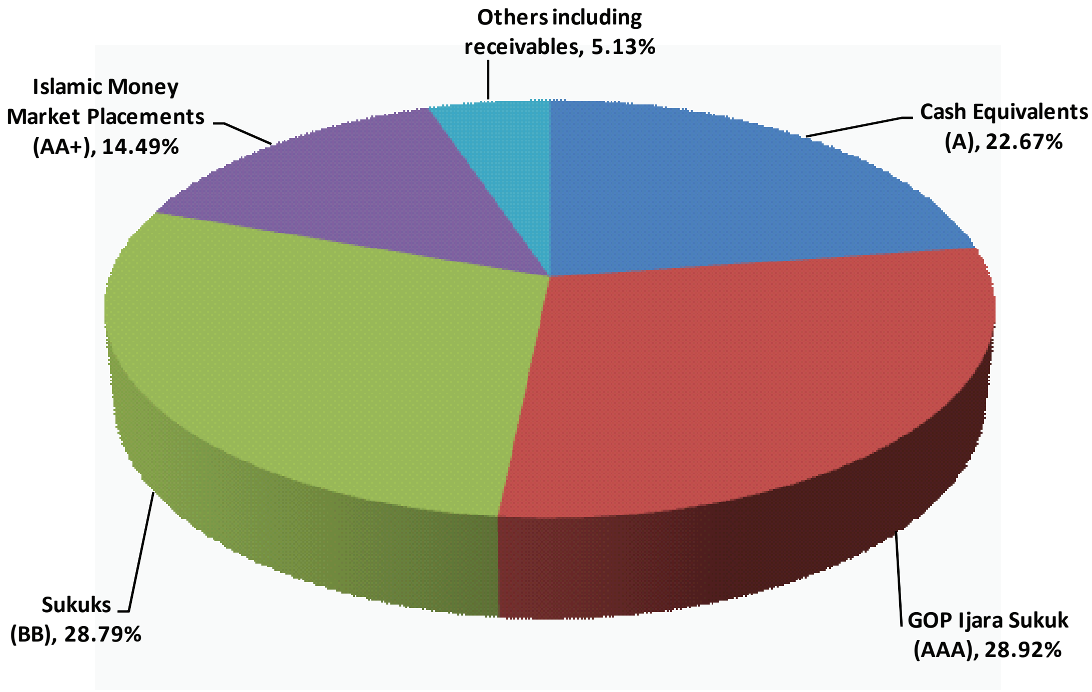
The size of **NAFA Islamic Aggressive Income Fund** has reduced from Rs. 179 million to Rs. 166 million during the period, i.e. a decline of 7.26%. During the said period, the unit price of the Fund has increased from Rs. 8.5954 on June 30, 2012 to Rs. 9.1803 on June 30, 2013, thus posting a return of 6.80% as compared to its Benchmark (Average 3-Month deposit rate of Islamic Banks) return of 7.01% for the same period.

NIAIF is categorized as Islamic Aggressive Income Scheme and has been awarded stability rating of BBB+(f) by PACRA. All corporate Sukuks in the Fund are floating rate linked to KIBOR. The Fund is invested in GOP Ijara Sukuks with six month coupon resetting. Therefore, any increase in interest rates will improve the coupon income of the sukuk portfolio.

With letup in inflationary pressures and manageable external account position, SBP slashed the Policy Rate during FY13 by 300 bps to 9%. On the corporate debt sphere, yields on the corporate bonds in the secondary market squeezed due to the price appreciation on the back of decline in interest rates, increased risk appetite of the investors and limited primary issues.

The Fund has earned a total income of Rs.21.69 million during the year. After deducting total expenses of Rs.13.77 million, the net income is Rs.7.92 million.

The asset allocation of NAFA Islamic Aggressive Income Fund as on June 30, 2013 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved a final distribution of 4.55% of opening ex-NAV (3.911% of the par value). After final distribution, the net asset value per unit will be Rs.8.7892 on June 30, 2013.

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, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2014.

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 23 to these financial statements.

11. The detailed pattern of unit holding is disclosed in the note 22 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 19 to these financial statements.

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, the Trustee and the Shariah and Technical Advisors.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: August 27, 2013
Place: Karachi.

TRUSTEE REPORT TO THE UNIT HOLDERS
NAFA ISLAMIC AGGRESSIVE INCOME FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA Islamic Aggressive Income Fund, an open-end Scheme established under a Trust Deed dated August 20, 2007 executed between NBP Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on September 03, 2007.

Subsequently, CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee with effect from November 22, 2011.

1. NBP Fullerton Asset Management Limited, the Management Company of NAFA Islamic Aggressive Income Fund has in all material respects managed NAFA Islamic Aggressive Income Fund during the year June 30, 2013 in accordance with the provisions of the following:

   (i) Investments limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;

   (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;

   (iii) the creation and cancellation of units are carried out in accordance with the deed;

   (iv) and any regulatory requirement

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: August 21, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA ISLAMIC AGGRESSIVE INCOME FUND FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Islamic Aggressive Income 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. As at June 30, 2013, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Exectuive Officer)
Non- Executive Directors	1. Mr. Asif Hassan (Chairman) 2. Mr. Khalid Mahmood 3. Mr. Amir Shehzad 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 of more than seven 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 election 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies were occurred on the board on February 26, 2013 and on May 20, 2013 during the year which were filled up by the directors on April 11, 2013 and May 20, 2013 respectively.

5. 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.

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. Up to 30 June 2013, one of the directors has obtained the director's training program offered by Pakistan Institute of Corporate Governance. The Company has started the process for training of other directors and it is expected that some of other directors may also obtain certification of the director's training program in upcoming year. However, 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 19 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 an 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 a Human Resource and Remuneration Committee. It comprises of three members. All the members 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.

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.

For and behalf of the board

Karachi
August 27, 2013

Dr. Amjad Waheed
Chief Executive Officer

FUND MANAGER REPORT

NAFA Islamic Aggressive Income Fund
NAFA Islamic Aggressive Income Fund is an open-end Shariah Compliant Aggressive Income Scheme.

Investment Objective of the Fund
The objective of NIAIF is to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in Shariah Compliant money market & debt securities having good credit rating and liquidity.

Benchmark
Average 3-month deposit rate of Islamic banks

Fund Performance Review
This is the sixth Annual report since the launch of the Fund on October 29, 2007. The Fund size declined by 7.28% during FY13 and stands at Rs 166 million as on June 30, 2013. The Fund's annualized return since inception is 5.17% versus the benchmark return of 6.77%. During FY13 the Fund posted an annualized return of 6.80% as compared to benchmark annualized return of 7.01%.

Subdued performance of the Fund during the year was on account of provisioning impact of an electronic sector Sukuk holding. The weighted average Yield-to-Maturity (YTM) of the sukuk portfolio is around 23.22% p.a. while the yield does not include potential recovery in fully provided TFCs (Face Value of Rs. 115 million), which is potential upside for the Fund. Weighted average time to maturity of sukuk portfolio is 1.59 years and 0.94 years of the Fund.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-13	30-Jun-12
GOP Ijara Sukuk	28.92%	29.58%
Sukuks	28.79%	42.99%
Islamic Money Market Placements	14.49%	-
Cash Equivalents	22.67%	22.18%
Others including receivables	5.13%	5.25%
Total	**100.00%**	**100.00%**

With letup in inflationary pressures and manageable external account position, SBP slashed the Policy Rate during FY13 by 300 bps to 9%. On the corporate debt sphere, yields on the corporate bond in the secondary market squeezed amid ample liquidity in the market on the back of incessant government borrowing, elevated risk appetite of the investors in search of yield and limited primary issuance. All corporate TFCs/ sukuks in the Fund are floating rate linked to KIBOR. During the year, 6-Months KIBOR declined to 9.09% from 12.06%.

Distribution for the Financial Year 2013

Interim Period / Quarter	Dividend as a % of Par Value (Rs.10)	Cummlative Div. Price / Unit	Ex- Div. Price
Year Ended Jun 13	3.9110%	9.1803	8.7892

Unit Holding Pattern of NAFA Islamic Aggressive Income Fund as on 30th June 2013

Size of Unit Holding (Units)	# of Unit Holders
1-1000	26
1001-5000	49
5001-10000	13
10001-50000	22
50001-100000	2
100001-500000	1
500001-1000000	2
1000001-5000000	-
5000001-10000000	-
10000001-100000000	-
100000001-1000000000	-
	115

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NAFA Islamic Aggressive Income Fund does not have any soft commission arrangement with any broker in the industry.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 1,382,690/-. If the same were not made the NAV per unit/ FY 2013 return of scheme would be higher by Rs. 0.0766/ 0.90%. For details investors are advised to read note 16 of the Financial Statement of the Scheme for the year ended June 30, 2013.

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Aggressive Income Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2013. This has been duly confirmed by the Shariah Advisor of the Fund.

Dated : August 27, 2013
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

Report of the *Shar'iah Advisor* – NAFA Islamic Aggressive Income Fund

September 17, 2013/Dhul-Qa'dah 09, 1434 A.H

Alhamdulillah, the period from July 1, 2012 to June 30, 2013 was the sixth year of the operations of NAFA Islamic Aggressive Income Fund (NIAIF). This report is being issued in accordance with clause 5.D.3 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

We have prescribed the criteria and procedures to be followed in ensuring Shari'ah Compliance in every investment.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance with the Shari'ah policies & guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

In light of the above, we hereby certify that:

i. We have reviewed and approved the modes of investments of NIAIF in light of Shari'ah guidelines.

ii. All the provisions of the scheme and investments made on account of NIAIF by NAFA are Shari'ah Compliant and are in accordance with the criteria established.

iii. On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NIAIF for the period ended June 30, 2013 are not in compliance with Shari'ah principles.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

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

Bilal Ahmed Qazi
Shar'iah Advisor

Independent Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of NBP Fullerton Asset Management Limited, Management Company of **NAFA Islamic Aggressive Income Fund** (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2013 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 5.D.3 of the Trust Deed of the Fund.

Management Company's Responsibilities

The management company of the Fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.
The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.

2. Check that the Shariah Advisor has certified that investments made by the Fund during the year ended 30 June 2013 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended 30 June 2013.

Date: 27 August 2013

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

Review Report to the Unit Holders of NAFA Islamic Aggressive Income Fund ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of NBP Fullerton Asset Management Limited ("Management Company") to comply with the Listing Regulations of the Lahore Stock Exchange Limited (formerly Lahore Stock Exchange (Guarantee) Limited), where the Fund is listed.

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

As part of our audit of 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 Company's corporate governance procedures and risks.

Further, Listing Regulations notified by the Lahore Stock Exchange Limited (formerly Lahore Stock Exchange (Guarantee) Limited) requires 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 undertaken 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 Fund'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 30 June 2013.

Date: 27 August 2013
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **NAFA Islamic Aggressive Income Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2013 and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' Fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation of the financialstatements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of the financial statements that is 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 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 our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation 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 Fund'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 30 June 2013 and of its financial performance, 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.

Date: August 27, 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

Statement of Assets and Liabilities
As at 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Balances with banks	4	37,546	39,611
Investments	5	119,569	129,621
Profit receivable	6	10,883	11,484
Deposits, advance and prepayment	7	344	233
Preliminary expenses and floatation costs	8	-	160
Total assets		168,342	181,109
LIABILITIES			
Payable to the NBP Fullerton Asset Management Limited - Management Company	9	344	341
Payable to the MCB Financial Services Limited - Trustee	10	13	16
Payable to the Securities and Exchange Commission of Pakistan	11	133	127
Accrued expenses and other liabilities	12	2,241	2,010
Total liabilities		2,731	2,494
NET ASSETS		165,611	178,615
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		165,611	178,615
CONTINGENCY AND COMMITMENT	13		
		------Number of units------	
Number of units in issue	14	18,039,933	20,780,193
		-----------Rupees-----------	
NET ASSETS VALUE PER UNIT		9.1803	8.5954

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive　　　　　　Director

Income Statement
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
Income			
Capital gain on sale of investments - net		8	30
Income from sukuk bonds		18,611	14,207
Profit on saving accounts		3,014	2,399
Unrealised appreciation / (diminution) on remeasurement of investments classified as financial assets at fair value through profit or loss - net	*5.4*	59	(74)
		21,692	16,562
Expenses			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	*9.1*	3,550	3,379
Sindh sales tax on remuneration of Management Company	*9.2*	568	537
Federal excise duty on remuneration of Management Company	*9.3*	26	-
Remuneration of MCB Financial Services Limited - Trustee	*10*	177	374
Annual fee to Securities and Exchange Commission of Pakistan	*11.1*	133	127
Amortisation of preliminary expenses and floatation costs	*8*	160	500
Securities transaction cost		2	6
Settlement and bank charges		97	49
Annual listing fee		30	30
Auditors' remuneration	*15*	402	389
Legal and professional fees		49	40
Fund rating fee		109	200
Provision against non-performing sukuks classified as available for sale - net	*5.5*	8,304	16,260
		13,607	21,891
Net income / (loss) from operating activities		8,085	(5,329)
Provision for workers' welfare fund	*16*	(162)	-
Net income / (loss) before taxation		7,923	(5,329)
Taxation	*17*	-	-
Net income / (loss) for the year		7,923	(5,329)

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
Net income / (loss) for the year		7,923	(5,329)
Other comprehensive income for the year			
Items to be reclassified to income statement in subsequent periods:			
Unrealised appreciation on re-measurement of investments classified as available for sale - net	*5.3*	3,779	8,802
Reversal of diminution in the value of investments pertaining to non-performing investments		-	25,694
Total comprehensive income for the year		11,702	29,167

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Distribution Statement
For the year ended 30 June 2013

	2013	2012
	(Rupees in '000)	
Undistributed income brought forward		
- Realised (loss) / income	**(22,916)**	32,748
- Unrealised income / (loss)	**18,162**	(9,392)
	(4,754)	23,356
Net income / (loss) for the year	**7,923**	(5,329)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	**(1,152)**	(562)
Distribution:		
Final distribution for the year ended 30 June 2012: Nil (30 June 2011: 10.268% declared on 4 July 2011)		
- Cash distribution	**-**	(14,495)
- Bonus units	**-**	(7,724)
Total distribution	**-**	(22,219)
Undistributed income carried forward	**2,017**	(4,754)
Undistributed income comprising:		
-Realised income / loss	**6,483**	(22,916)
-Unrealised (loss) / income	**(4,466)**	18,162
	2,017	(4,754)

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Statement of Movement in Unit Holders' Fund
For the year ended 30 June 2013

	2013	2012
	(Rupees in '000)	
Net assets at the beginning of the year	178,615	178,436
Issue of 180,291 units (2012: 75,775 units)	1,603	599
Issue of bonus units Nil (2012: 2,007,977 bonus units)	-	14,495
Redemption of 2,920,551 units (2012: 2,943,444 units)	(26,309)	(21,863)
	(24,706)	(6,769)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	1,152	562
Unrealised appreciation on re-measurement of investments classified as available for sale - net	3,779	8,802
Reversal of diminution in the value of investments pertaining to non-performing investments	-	25,694
Capital gain on sale of investments - net	8	30
Unrealised appreciation / (diminution) on remeasurement of investments classified as financial assets at fair value through profit or loss - net	59	(74)
Other net income / (loss) for the year	7,856	(5,285)
	7,923	(5,329)
Distribution:		
Final distribution for the year ended 30 June 2012: Nil (30 June 2011: 10.268% declared on 4 July 2011)		
- Cash distribution	-	(14,495)
- Bonus units	-	(7,724)
	-	(22,219)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	(1,152)	(562)
Net assets as at the end of the year	165,611	178,615
	(Rupees)	
Net assets value per unit at beginning of the year	8.5954	8.2457
Net assets value per unit at end of the year	9.1803	8.5954

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Cash Flow Statement
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Net income / (loss) for the year		7,923	(5,329)
Adjustments for:			
Amortisation of preliminary expenses and floatation costs		160	500
Provision against non-performing sukuks classified as available for sale		8,304	16,260
Unrealised (appreciation) / diminution on remeasurement of investments classified as financial assets at fair value through profit or loss - net		(59)	74
		16,328	11,505
Decrease / (increase) in assets			
Investments		5,586	28,445
Profit receivable		601	184
Deposits, Advance And Prepayment		(111)	2,400
Net decrease in assets		6,076	31,029
(Decrease) / increase in liabilities			
Payable to Management Company		3	8
Payable to Trustee		(3)	(55)
Payable to Securities and Exchange Commission of Pakistan		6	(13)
Accrued expenses and other liabilities		231	(16)
Net increase / (decrease) in liabilities		237	(76)
Net cash flows from operating activities		22,641	42,458
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issuance of units		1,603	599
Payments against redemption of units		(26,309)	(21,863)
Distributions paid		-	(7,724)
Net cash flows used in financing activities		(24,706)	(28,988)
Net (decrease) / increase in cash and cash equivalents		(2,065)	13,470
Cash and cash equivalents at beginning of the year		39,611	26,141
Cash and cash equivalents at end of the year	*4*	37,546	39,611

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Notes to and forming part of the Financial Statements
For the year ended 30 June 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Aggressive Income Fund ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from 22 November 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated 15 November 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Trust Deed executed between the Management Company, CDC and MCBFSL.

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 was situated at 9th Floor, Adamjee House, I.I.Chundrigar Road, Karachi. From 4 February 2013, the principal office of the Management Company is shifted to 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

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

The core objective of the Fund is to provide preservation of capital and earn a reasonable rate of return. The principal activity of the Fund is to make investments in Shariah compliant securities, having a good credit rating and liquidity subject to the guidlines prescribed by SECP.

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

Title to the assets of the Fund is held in the name of MCB Financial Services 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, the Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which are carried at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

2.4 Critical accounting estimates and judgments

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 their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment thereagainst (note 3.1.1 and 3.1.5).

2.5 Standards, interpretations and amendments which became effective during the year

Following are the amendments of approved accounting standards which became effective for the current period:

-IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

-IAS 12 - Deferred tax on investment property (Amendment)

The adoption of the above amendments of the standards did not have any impact on the financial statements except for additional disclosures as required by IAS 1 amendment.

Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

-IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.

-IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.

-IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.

-Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. This amendment is not likely to have significant impact on the financial statements of the Fund.

-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have significant impact on the financial statements of the Fund.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013).
The new cycle of improvements contains amendments to the following four standards, withconsequential amendments to other standards and interpretations. This amendment is not likely to have significant impact on the financial statements of the Fund.

-IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies
that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

-IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

-IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

-IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

-IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

-IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

-IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

-Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements.

3.1 Financial assets

3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets in accordance with the requirement of International Accounting Standard (IAS)39: ' Financial Instruments: Recognition and Measurement', at the time of 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 prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

c) Held to maturity

Financial assets with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held to maturity.

d) Available for sale

Non-derivative financial assets that are intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices. 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, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

3.1.2 Regular way contracts

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

3.1.3 Initial recognition and measurement

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

3.1.4 Subsequent measurement

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

a) Basis of valuation of debt securities

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012 (which is essentially the same as contained in Circular No. 1 of 2009, previously used). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of equity securities

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

c) Basis of valuation of Government Securities

The 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 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'.

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.

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

3.1.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in circular 33 of 2012 dated 24 October 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of Management Company.

3.1.6 Derecognition

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

3.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.4 Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These are measured at initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. All derivatives in a net receivables positions (positive fair values) and reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading.

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.

3.6 Provision

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are regularly reviewed and are 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 among the unit holders.

The Fund is 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 if any 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 taxation 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 distribution

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders.

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 of that day. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the Management Company, Investment facilitators or distributors. Transaction costs are recorded as the income of the Fund.

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

3.10 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. The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is credited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the sale proceeds of units. Upon redemption of units, the 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is debited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the redemption price.

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' during the year is included in the amount available for distribution to the unit holders.

3.11 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.

3.12 **Net Assets 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 year end.

3.13 **Revenue recognition**

-Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

-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.

-Unrealised gains / (losses) arising on revaluation of investments classified as ' Available sale investments ' are included in the Other Comprehensive Income in the period in which they arise.

-Profit on bank deposits, investments in debt securities and income from government securities is recognised using the effective interest method.

3.14 **Cash and cash equivalents**

Cash and cash equivalent comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an in significant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.15 **Foreign currency translation**

Transactions in foreign currencies are translated into Rupees at rates of exchange on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange ruling on the balance sheet date. All other exchange differences are charged to income statement.

		Note	2013	2012
			(Rupee in '000)	
4	**BALANCES WITH BANKS**			
	Current accounts		1,719	296
	Savings accounts	*4.1*	35,827	39,315
			37,546	39,611

4.1 These accounts carry profit at rates ranging from 9.3% to 11.8% (2012: 5% to 12%) per annum.

		Note	2013	2012
5	**INVESTMENTS**			
	Available for sale			
	Sukuk and Ijara bonds	*5.1*	57,495	80,713
	Financial assets at fair value through profit or loss - held for trading			
	Sukuk and Ijara bond	*5.2*	62,074	48,908
			119,569	129,621

5.1 Sukuk and Ijara bonds - available for sale

Name of the investee company	Number of bonds: As at July 1, 2012	Purchases during the year	Sales / *Matured during the year	As at June 30, 2013	Market value / carrying value *as at30 June 2013	Market value as a percentage of net assets	Market value as a percentage of total investment	Percent-age issue size of sukuk held
	------------------ (Number of certificates)			-----------------	(Rupees in '000)			
Engro Fertilizer Limited	4,600	-	-	4,600	23,023	13.90%	19.25%	0.77%
Kohat Cement Company Limited	20,000	-	-	20,000	11,368	6.86%	9.51%	1.21%
Maple Leaf Cement Factory Limited (Note 5.1.3.1)	5,312	-	-	5,312	9,539	5.76%	7.98%	0.33%
Maple Leaf Cement Factory Limited -Sukuk II (note 5.1.3.1)	199	-	199	-	-	-	-	-
New Allied Electronics Industries (Private) Limited-1st issue (note 5.1.3.2)	352,000	-	-	352,000	-	-	-	18.33%
New Allied Electronics Industries (Private) Limited-2nd issue (note 5.1.3.2)	1,000	-	-	1,000	-	-	-	0.65%
Pak Elektron Limited (Note 5.1.3.3)	7,000	-	-	7,000	3,750	2.26%	3.14%	1.25%
GOP Ijara Sukuk - issue date 15.11.2010	1,960	-	-	1,960	9,815	5.93%	8.21%	0.02%
	392,071	-	199	391,872	57,495			
Carrying value of investments as at 30 June 2013					194,180			
Provision for impairment losses as at 30 June 2013					140,464			

* In case of debt securities against which provision has been made, these are carried at amortisd cost less provision

5.1.1 Significant terms and conditions of sukuk bonds outstanding as at 30 June 2013 are as follows:

Remaining principal (per TFC)	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Sukuk bonds				
Engro Fertilizer Limited	5000	1.5% + 6 Month KIBOR	06 September 2007	06 September 2015
Kohat Cement Company Limited	758	2.5% + 6 Month KIBOR	20 December 2007	20 December 2015
Maple Leaf Cement Factory Limited	4989	1% + 3 Month KIBOR	03 December 2007	03 December 2018
New Allied Electronics Industries (Private) Limited-1st issue	313	2.6% + 6 Month KIBOR	25 July 2007	25 July 2012
New Allied Electronics Industries (Private) Limited-2nd issue	4905	2.2% + 6 Month KIBOR	03 December 2007	03 December 2012
Pak Elektron Limited	2143	1.75% + 3 Month KIBOR	28 September 2007	28 September 2012
GOP Ijara Sukuk - issue date 15.11.2010	5000	6 Month weighted average yield of T Bills	15 November 2010	15 November 2013

5.1.2 All sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics (Private) Limited - 1st issue and Government of Pakistan Ijara bond (issue date 26.09.2008) which have a face value of Rs 312.5 and Rs 100,000 each respectively.

5.1.3 Fair value of all performing term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

5.1.3.1 The sukuks of Maple Leaf Cement Factory Limited (MLCFL) were restructured on 30 March 2010. In accordance with the terms of restructuring, the amount of markup due on 03 December 2009 was partially off-set through issuance of new sukuks, "Maple Leaf Cement Factory Limited Sukuk II". The Sukuk II had been recognised at NIL value on a prudent basis and in accordance with the guidance specified by SECP which require overdue mark-up to be recognised on cash basis. The Issuer defaulted again in the payment of principal and mark-up due on 03 September 2011. In accordance with the requirements of circular 33 of 2012 issued by SECP, the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. Upto 31 December 2012, the amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular while considering date of default as 03 September 2011 amounted to Rs.15.10 million.

During the year, the Fund has received principal amounted to Rs. 2.66 million (4 installments of 0.664 million each) with mark up of Rs. 4.283 million. In addition the Fund's total exposure in Maple Leaf-II of Rs.0.995 million has been received along with mark up of Rs. 80,450. MUFAP after consultation and discussion with SECP has confirmed that MLCFL should be classified as non-performing and has instructed to mutual funds to suspend further provision as required under Circular 33 of 2012 after considering the fact that MLCFL has started performing in accordance with the revised rescheduling terms. MUFAP confirmed that provisioning status quo (in terms of percentage) should be maintained and additional provisioning shall be stopped till the asset becomes performing. Accordingly, provision as at 30 June 2013 has been maintained represents sixty percent of the outstanding balance. However, profit is being recorded by the Fund on receipts basis in accordance with the requirements of Circular 33 of 2012. The income suspended on these sukuk bonds upto 30 June 2013 amounted to Rs. 0.578 million.

5.1.3.2 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.

5.1.3.3 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 0.563 million was not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 30 June 2013 amounted to Rs. 1.187 million.

5.1.3.4 The sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the user.

5.2 **Sukuk and Ijara bonds - At fair value through profit or loss - held for trading**

Name of the investee company	Number of bonds: As at July 1, 2012	Purchases during the year	Sales during the year	As at June 30, 2013	Market value	Market value as a percentage of net assets	Market value as a percentage of total investment	Percent-age issue size of sukuk held
	------------------------ Rupees in '000 ------------------------							
GOP Ijara Sukuk - issue date 07.03.2011	400	-	-	400	2,004	1.21%	1.68%	0.004%
GOP Ijara Sukuk - issue date 26.12.2011	7,000	-	4,000	3,000	15,032	9.08%	12.57%	0.021%
GOP Ijara Sukuk - issue date 02.03.2012	400	2,400	-	2,800	14,029	8.47%	11.73%	0.037%
GOP Ijara Sukuk - issue date 30.04.2012	800	-	-	800	4,010	2.42%	3.35%	0.014%
GOP Ijara Sukuk - issue date 18.09.2012	-	600	-	600	2,999	1.81%	2.51%	0.006%
Short Term Islamic Sukuks - unlisted (note 5.2.3)								
HUBCO Short term Islamic Sukuk 03.08.2012	-	4,000	4,000	-	-	-	-	-
HUBCO Short term Islamic Sukuk 14.02.2013	-	3,000	600	2,400	12,000	7.25%	10.04%	0.55%
HUBCO Short term Islamic Sukuk 13.03.2013	-	2,400	-	2,400	12,000	7.25%	10.04%	0.52%
HUBCO Short term Islamic Sukuk 16.08.2012	-	1,000	1,000	-	-	-	-	-
KAPCO Sukuk	-	2,000	2,000	-	-	-	-	-
Sui Southern Gas Company Limited	5,880	-	5,880	-	-	-	-	-
	14,480	15,400	17,480	12,400	62,074			
Carrying value of investments as at 30 June 2013					62,015			

5.2.1 **Significant terms and conditions of sukuk bonds outstanding as at June 30, 2012 are as follows:**

Name of Security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Sukuk bonds				
GOP Ijara Sukuk - issue date 07.03.2011	2,000	6 Month weighted average yield on T Bills	07 March 2011	07 March 2014
GOP Ijara Sukuk - issue date 26.12.2011	15,000	6 Month weighted average yield on T Bills	26 December 2011	26 December 2014
GOP Ijara Sukuk - issue date 02.03.2012	14,000	6 Month weighted average yield on T Bills	02 March 2012	02 March 2015
GOP Ijara Sukuk - issue date 30.04.2012	4,000	6 Month weighted average yield on T Bills	30 April 2012	30 April 2015
GOP Ijara Sukuk - issue date 18.09.2012	3,000	6 Month weighted average yield on T Bills	18 September 2012	18 September 2015
HUBCO Short term Islamic Sukuk 14.02.2013	12,000	KIBOR + 1.25%	14 February 2013	14 August 2013
HUBCO Short term Islamic Sukuk 13.03.2013	12,000	KIBOR + 1.25%	13 March 2013	12 September 2013

5.2.2 All sukuk bonds have a face value of Rs 5,000 each except Government of Pakistan Ijara bonds which have a face value of Rs 100,000 each respectively.

5.2.3 As per clause 2B(i)(a) of circular no. 33 of 2012, investment in thinly and non-traded debt securities with maturity of up to six months are valued at their amortised cost.

		Note	2013	2012
			(Rupees in '000)	
5.3	**Unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale - net**			
	Market value of investments	*5.1*	57,495	80,713
	Carrying value of investments		194,180	204,071
			(136,685)	(123,358)
	Provision against non-performing sukuks			
	Balance as at 1 July	*5.5*	132,160	115,900
	Provision made during the year		8,304	16,260
	Balance as at 30 June		140,464	132,160
			3,779	8,802
5.4	**Unrealised (diminution) / appreciation on remeasurement of investments classified as fair value through profit or loss - net**			
	Market value of investments		62,074	48,908
	Carrying value of investments	*5.2*	62,015	48,982
			59	(74)
5.5	**Movement in provision against non-performing sukuks**			
	Balance as at 1 July		132,160	115,900
	Provision / (reversal) made during the year		8,304	16,260
	Balance as at 30 June		140,464	132,160
6	**PROFIT RECEIVABLE**			
	Profit on savings deposits		282	1
	Income accrued on sukuk bonds- net		10,601	11,483
			10,883	11,484

		Note	2013	2012
7	**DEPOSITS, ADVANCE AND PREPAYMENT**		(Rupees in '000)	
	Security deposits with:			
	-Central Depository Company of Pakistan Limited		100	100
	-MCB Financial Services Limited		100	100
	Advance tax		33	33
	Prepaid rating fee		111	-
			344	233
8	**PRELIMINARY EXPENSES AND FLOATATION COSTS**			
	Balance as at the beginning of the year		160	660
	Less: Amortisation during the year	8.1	160	500
	Balance as at the end of the year		-	160

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 27 October 2007 as per the requirements set out in the Trust Deed of the Fund.

		Note	2013	2012
9	**PAYABLE TO THE NBP FULLERTON ASSET MANAGEMENT LIMITED**			
	Management fee		269	291
	Sindh Sales Tax and Federal Excise Duty on management fee	9.1	69	46
	Others	9.2 & 9.3	6	4
			344	341

9.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Currently, Management fee is being calculated at the rate of two percent per annum of the average annual net assets of the Fund and is paid to the Management Company monthly in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011.

9.3 With effect from 13 June 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company through Finance Act 2013.

10 PAYABLE TO MCB FINANCIAL SERVICES LIMITED

The Trustee is entitled to a monthly remuneration for services rendered to the Fund at the rate of 0.1% of the daily net assets value as per provisions of the Trust Deed. The remuneration is paid to the Trustee monthly in arrears.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

11.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorized as an income scheme is required to pay an annual fee to SECP an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is payable annually in arrears.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2013	2012
		(Rupees in '000)	
Auditors' remuneration		316	281
Withholding tax payable		-	3
Bank charges payable		50	24
Payable to brokers		22	22
Charity payable	*12.1*	-	1
Provision for Workers' Welfare Fund	*16*	1,383	1,221
Printing charges payable		104	146
Others		366	312
		2,241	2,010

12.1 In accordance with the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby the portion of the investment of the investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund.

13 CONTINGENCY AND COMMITMENT

There is no contingency and commitment outstanding as at 30 June 2013.

14 NUMBER OF UNITS IN ISSUE

	2013	2012
	(Number of Units)	
Total units in issue at the beginning of the year	20,780,193	21,639,887
Add: units issued during the year	180,291	75,772
Add: bonus issued during the year	-	2,007,977
Less: units redeemed during the year	(2,920,551)	(2,943,444)
Total units in issue at the end of the year	18,039,933	20,780,193

15 AUDITORS' REMUNERATION

	2013	2012
	(Rupees in '000)	
Audit fee	254	231
Half yearly review fee	102	92
Special audit fee	-	25
Out of pocket expenses	46	41
	402	389

16 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) in various Ponsitutional Petitions declared that amendments introduced in the WWF Ordinance, 1971 through Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2013. As at 30 June 2013 the management has maintained provision against Workers' Welfare Funds' amounting to Rs. 1.383 million, if the same were not made the NAV Per unit of the Fund would have been higher by Rs. 0.0766.

17 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company subsequent to year end has declared and distributed sufficient accounting income of the Fund for the year ended 30 June 2013 as reduced by capital gains (whether realised or unrealised) to its unit holders. Accordingly, no tax liability has been recorded in the current year.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	--------------------as at June 30, 2013--------------------			
	Loans and receivables	At fair value through profit or loss	Available for sale	Total
Assets	---------------------- Rupees in '000 ----------------------			
Balances with banks	37,546			37,546
Investments	-	62,074	57,495	119,569
Profit receivable	10,883			10,883
Deposits	200	-	-	200
	48,629	62,074	57,495	168,198

	--------------as at June 30, 2013--------------		
	At fair value through profit or loss	Other financial liabilities	Total
	---------------- Rupees in '000 ----------------		
Liabilities			
Payable to the NBP Fullerton Asset Management Limited - Management Company	-	344	344
Payable to the MCB Financial Services Limited - Trustee	-	13	13
Accrued expenses and other liabilities	-	858	858
	-	1,215	1,215

	--------------------as at June 30, 2012--------------------			
	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	--------------------- Rupees in '000 ----------------------			
Assets				
Balances with banks	39,611	-	-	39,611
Investments	-	48,908	80,713	129,621
Profit receivable	11,484			11,484
Deposits	200	-	-	200
	51,295	48,908	80,713	180,916

	--------------as at June 30, 2012--------------		
	At fair value through profit or loss	Other financial liabilities	Total
	---------------- Rupees in '000 ----------------		
Liabilities			
Payable to the NBP Fullerton Asset Management Limited - Management Company	-	341	341
Payable to the MCB Financial Services Limited - Trustee	-	16	16
Accrued expenses and other liabilities	-	786	786
	-	1,143	1,143

19 TRANSACTIONS WITH CONNECTED PERSONS

19.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, Central Depository Company of Pakistan Limited being the ex - Trustee, National Bank of Pakistan and its connected persons and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

19.2 The transactions with connected persons are at contracted rates and terms determined in accordance with market rates.

19.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

19.4 Remuneration to the Trustee is determined in accordance with the provisions of the Trust Deed.

	For the year ended June 30, 2013	For the year ended June 30, 2012
	(Rupees in '000)	
19.5 Details of transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Management fee for the year	3,550	3,379
Sindh Sales tax on management fee	568	537
Front end load for the year	2	4
FED on management fee	26	-
MCB Financial Services Limited - Trustee		
Trustee fee for the year	177	90
Central Depository Company of Pakistan Limited - Ex - Trustee		
Remuneration	-	284
CDS charges for the year	37	18
National Bank of Pakistan - Sponsor		
Cash dividend	-	7,701
Alexandra Fund Management Pte. Limited - Sponsor		
Units redeemed / transferred out 2,657,719 units (2012: 2,206,410 units)	24,000	16,000
Bonus Units Issued: Nil units (2012: 1,805,634 units)	-	-
Employees of Management Company		
Units issued / transferred in: NIL units (2012: 9,738 units)	-	74
Units redeemed / transferred out 9,738 units (2012: 11,263 units)	83	81
Bonus units issued: NIL units (2012 1,403 unit)	-	-
International Industries Limited Gratuity Fund		
Payment made for the purchase of sukuk bonds	-	4,147
International Industries Limited Provident Fund		
Units redeemed (Nil unit; 2012: 3,891,359 units)	-	-
Payment made for the purchase of sukuk bonds	-	4,688
NAFA Riba Free Savings Fund		
Payment received from the sale of Sukuk	3,132	-
The Hub Power Company Limited		
Purchase of HUBCO Short term Islamic Sukuk	52,000	-
Sale of HUBCO Short term Islamic Sukuk	3,000	-

		For the year ended June 30, 2013	For the year ended June 30, 2012
		(Rupees in '000)	
19.6	**Balances at year end**		
	NBP Fullerton Asset Management Limited - Management Company		
	Management fee payable	269	291
	Sindh sales tax payable	43	46
	FED Payable	26	-
	Others	6	4
	MCB Financial Services Limited - Trustee		
	Remuneration payable	13	16
	Security deposits	100	100
	Central Depository Company of Pakistan Limited - Ex - Trustee		
	Remuneration payable	-	0
	CDS Charges	16	0
	Security deposits	100	100
	National Bank of Pakistan - Sponsor		
	Investment held by the Sponsor in the Fund 7,500,000 units (2012: 7,500,000 units)	68,852	64,465
	Balance in current account	14	15
	Alexandra Fund Management Pte. Limited - Sponsor		
	Investment held by the Sponsor in the Fund 9,635,981 units (2012: 12,293,700 units)	88,461	105,669
	Employees of Management Company		
	Investment held by the executives in the Fund Nil units (2012: 9,738 units)	-	84
	The Hub Power Company Limited		
	Investment in HUBCO Short term Islamic Sukuk	24,000	-

PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follow:

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	25
2	Sajjad Anwar	CFA / MBA Finance	13
3	Muhammad Ali Bhabha	MBA / MS (CS) /CFA / FRM	18.5
4	Syed Suleman Akhtar	CFA	13
5	Ammar Rizki*	MBA	12

Ammar Rizki is the fund manager of the fund. He is also the fund manager of NAFA Asset Allocation Fund and NAFA Income Opportunity Fund.

21 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2013
1. Pearl Securities (Private) Limited	100%
	100%

	2012
1. Invest One Markets Limited	31.25%
2. JS Global Capital Limited	31.25%
3. Invest Capital Markets Limited	15.63%
4. Optimus Capital Management Limited	15.62%
5. Summit Capital (Pvt) Limited (Formerly; Atlas Capital Markets Limited)	6.25%
	100%

22 PATTERN OF UNIT HOLDING

Category	As at June 30, 2013		
	Number of unit holders	Investment amount	Percentage investment
	---------- (Rupees in '000) ----------		
Individuals	109	5,999	3.62%
Associated companies / directors	2	157,313	94.99%
Retirement funds	3	2,286	1.38%
Others	1	13	0.00
	115	165,611	100.00%

Category	As at June 30, 2012		
	Number of unit holders	Investment amount	Percentage investment
	---------- (Rupees in '000) ----------		
Individuals	120	6,327	3.54%
Associated companies / directors	2	170,135	95.25%
Retirement funds	3	2,140	1.20%
Others	1	13	0
	126	178,615	100.00%

23 **ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 37th, 38th, 39th, 40th and 41st Board meetings were held on 9 July 2012, 11 September 2012, 23 October 2012, 26 February 2013 and 26 April 2013 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	5	0	
Dr. Asif A. Brohi*	5	1	4	37th, 38th, 40th & 41st meeting
Mr. Khalid Mahmood*	1	0	1	41st meeting
Mr. Wah Geok Sum	5	4	1	41st meeting
Mr. Koh Boon San	5	5	0	
Mr. Shehryar Faruque	5	4	1	37th meeting
Mr. Kamal Amir Chinoy	5	2	3	37th, 39th & 41st meeting
Mr. Amir Shehzad	5	3	2	37th & 39th meeting
Mr. Asif Hassan****	0	0	0	
Dr Amjad Waheed	5	5	0	

* Dr. Asif A. Brohi retried from Board with effect from February 26, 2013
** Mr.Khalid Mahmood was co-opted on the Board with effect from April 11, 2013
*** Mr. Shahid Anwar Khan retried from Board with effect from May 20, 2013
**** Mr.Asif Hasan was co-opted on the Board with effect from May 20, 2013

24 **FINANCIAL RISK MANAGEMENT**

The Fund’s objective in managing risk is the creation and protection of unit holders’ value. Risk is inherent in the Fund’s activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies. The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

24.1 **Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

Management of market 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 Board of Directors and regulations laid down by SECP.

24.2 **Currency risk**

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

24.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing term finance certificates and sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2013, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 2.251 million (2012: Rs 1.834 million).

(b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds no fixed rate instruments.

The composition of the Fund's investment portfolio and rates announced by MUFAP is expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / 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 is as follows:

	------------ As at June 30, 2013 ------------					
	Yield / interest rate (%)	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk	Total
		Upto three months	Over three months and upto one year	Over one year		
		------------(Rupees in '000)------------				
On-balance sheet financial instruments						
Financial Assets						
Balances with Banks	9.30 - 11.80	35,827	-	-	1,719	37,546
Investments	10.36 - 13.72	-	106,280	-	13,289	119,569
Profit receivable		-	-	-	10,883	10,883
Deposits		-	-	-	200	200
		35,827	106,280	-	26,091	168,198
Financial Liabilities						
Payable to the NBP Fullerton Asset Management Limited - Management Company		-	-	-	344	344
Payable to the MCB Financial Services Limited - Trustee		-	-	-	13	13
Accrued expenses and other liabilities		-	-	-	858	858
		-	-	-	1,215	1,215
On-balance sheet gap		35,827	106,280	-	24,876	166,983
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		35,827	106,280	-	24,876	166,983
Cumulative interest rate sensitivity gap		35,827	142,107	142,107	-	

	As at June 30, 2012					
	Yield / interest rate (%)	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk	Total
		Upto three months	Over three months and upto one year	Over one year		
		(Rupees in '000)				
On-balance sheet financial instruments						
Financial Assets						
Balances with Banks	5 - 11	39,315	-	-	296	39,611
Investments	11.79 - 16.15	-	104,377	-	25,244	129,621
Profit receivable		-	-	-	11,484	11,484
Deposits		-	-	-	200	200
		39,315	104,377	-	37,224	180,916
Financial Liabilities						
Payable to the NBP Fullerton Asset Management Limited - Management Company		-	-	-	341	341
Payable to the MCB Financial Services Limited - Trustee		-	-	-	16	16
Accrued expenses and other liabilities		-	-	-	786	786
		-	-	-	1,143	1,143
On-balance sheet gap		39,315	104,377	-	36,081	179,773
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		39,315	104,377	-	36,081	179,773
Cumulative interest rate sensitivity gap		39,315	143,692	143,692	-	

24.4 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. Presently, the Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 30 June 2013.

24.5 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.

Management of credit risk

The Fund’s policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. The IC closely monitors the credit worthiness of the Fund’s counterparties (e.g., issuer of the instruments, brokers, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks.

Concentration of the 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 assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The analysis below summarises the credit quality of the Fund's financial assets as at 30 June 2013.

Balances with banks

Balances with banks	2013	2012
	(Rupees in '000)	
A1+, A-1+	**2,221**	3,507
A1, A-1	**35,325**	36,105
	37,546	39,612

Investments - Sukuk bonds	**2013**	**2012**
	(Rupees in '000)	
Investments - Sukuk bonds and Ijarahs		
AAA, AAA-, AAA+	**47,889**	52,829
AA, AA-, AA+	**24,000**	29,264
A, A-, A+	**23,023**	-
BB+, BBB, BBB+, BBB-	9,539	-
D	**3,750**	25,244
Not Rated	**11,368**	22,284
	119,569	129,621

The maximum exposure to credit risk before any credit enhancement as at 30 June 2013 is the carrying amount of the financial assets.

24.6 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

The Fund is exposed to daily cash redemptions 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 damages 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 and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund 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.

Maturity analysis for financial liabilities

The table below analyses the Fund's 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:

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

	--------------------------As at June 30, 2013--------------------------			
	Total	**Upto three months**	**Over three months and upto one year**	**Over one year**
	----------------------------(Rupees in '000)----------------------------			
Financial liabilities (excluding unit holders' fund)				
Payable to the NBP Fullerton Asset Management Limited - Management Company	344	344	-	-
Payable to the MCB Financial Services Limited - Trustee	13	13	-	-
Accrued expenses and other liabilities	858	858	-	
	1,215	1,215	-	-
Unit holders' fund	165,611	165,611	-	-

	-------------------------As at June 30, 2013-------------------------			
	Total	Upto three months	Over three months and upto one year	Over one year
	---------------------------(Rupees in '000)---------------------------			
Financial liabilities (excluding unit holders' fund)				
Payable to the NBP Fullerton Asset Management Limited - Management Company	341	341	-	-
Payable to the MCB Financial Services Limited - Trustee	16	16	-	-
Accrued expenses and other liabilities	786	786	-	
	1,143	1,143	-	-
Unit holders' fund	178,615	178,615	-	-

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date. The Fund does not hold any securities that are based on quoted market prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 33 of 2012 dated 24 October 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 33 of 2012 issued by the SECP.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Assets				
Investment in securities - available for sale	-	44,206	13,289	57,495
Investment in securities - held for trading	-	62,074	-	62,074

	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Assets				
Investment in securities - available for sale	-	55,469	25,244	80,713
Investment in securities - held for trading	-	48,908	-	48,908

The reconciliation of provision in respect of level 3 is stated in note 5.5 to the financial statements.

26 UNIT HOLDERS' FUND RISK MANAGEMENT

The units 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 meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme

The Fund's objectives when managing unit holders' funds 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 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary)
or disposal of investments where necessary.

27 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on 11 July 2013 have proposed a final distribution at the rate of 3.91%. The financial statements of the fund for the year ended 30 June 2013 do not include the effect of the final distribution which will be accounted for in the financial statements of the fund for the year ended 30 June 2014.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 27 August, 2013.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2013	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 period from September 17, 2007 to June 30, 2008
Net assets at the year / period ended (Rs '000)	165,611	178,615	178,436	202,310	517,111	881,198
Net income for the year / period ended (Rs '000)	7,923	(5,329)	28,973	30,124	761	52,848
Net Asset Value per unit at the year / period ended (Rs)	9.1803	8.5954	7.2189	7.7492	9.4069	10.0932
Offer Price per unit	9.2721	8.6814	7.2911	7.8267	9.5010	10.1967
Redemption Price per unit	9.1803	8.5954	7.2189	7.7492	9.4069	10.0932
Highest offer price per unit (Rs)	9.2721	8.6808	7.3253	8.3212	10.2404	10.0082
Lowest offer price per unit (Rs)	8.6037	7.2937	6.3825	6.1080	8.6724	9.6471
Highest redemption price per unit (Rs)	9.1803	8.5949	7.2528	8.2388	10.1390	9.9046
Lowest redemption price per unit (Rs)	8.5185	7.2215	6.3193	6.0475	8.5865	9.5407
Total return of the fund	6.80%	19.01%	9.04%	-4.87%	-4.41%	5.53%
Capital gowth	2.89%	19.01%	-6.71%	-17.62%	-7.01%	0.93%
Income distribution	3.91%	0.00%	15.75%	12.75%	2.60%	4.60%
Distribution						
Interim distribution per unit	-	-	0.1937	-	0.2600	0.2000
Final distribution per unit	0.3911	-	1.0268	1.1994	-	0.2600
Distrubution Dates						
Interim	-	-	19-Apr-11	-	16-Oct-08	15-Apr-08
Final	11-Jul-13	-	4-Jul-11	5-Jul-10	-	3-Jul-08
Average annual return of the fund (launch date October 29, 2007)						
(Since inception to June 30, 2013)	5.17%					
(Since inception to June 30, 2012)		4.82%				
(Since inception to June 30, 2011)			1.25%			
(Since inception to June 30, 2010)				-1.52%		
(Since inception to June 30, 2009)					0.54%	
(Since inception to June 30, 2008)						8.37%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	37 days	37 days	2.53 years	66 days	2 years	2 years

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up