



NBP FUNDS

Managing Your Savings

Islamic Savings

Aitemaad اعتماد



اسلامک سیونگز

NAFA ISLAMIC ASSET ALLOCATION FUND

**ANNUAL
REPORT
2018**



MISSION STATEMENT

To rank in the top quartile
in performance of
NBP FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.

NAFA ISLAMIC ASSET ALLOCATION FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

| | |
|-----------------------------------|-------------------------|
| Mr. Mudassir Husain Khan | Chairman |
| Dr. Amjad Waheed | Chief Executive Officer |
| Mr. Tariq Jamali | Director |
| Mr. Abdul Hadi Palekar | Director |
| Mr. Kamal Amir Chinoy | Director |
| Mr. Shehryar Faruque | Director |
| Dr. Foo Chiah Shiung (Kelvin Foo) | Director |
| Mr. Humayun Bashir | Director |
| Mr. Wajahat Rasul Khan | Director |

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

| | |
|-----------------------------------|----------|
| Mr. Shehryar Faruque | Chairman |
| Mr. Tariq Jamali | Member |
| Dr. Foo Chiah Shiung (Kelvin Foo) | Member |
| Mr. Humayun Bashir | Member |

Human Resource and Remuneration Committee

| | |
|------------------------|----------|
| Mr. Kamal Amir Chinoy | Chairman |
| Mr. Abdul Hadi Palekar | Member |
| Mr. Humayun Bashir | Member |

Strategy & Business Planning Committee

| | |
|-----------------------------------|----------|
| Mr. Humayun Bashir | Chairman |
| Mr. Tariq Jamali | Member |
| Mr. Shehryar Faruque | Member |
| Dr. Foo Chiah Shiung (Kelvin Foo) | Member |

Trustee

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

Bankers to the Fund

Al-Baraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
United Bank Limited
Bank Al-Habib Limited
Dubai Islamic Bank Pakistan Limited
Silk Bank Limited
Summit Bank Limited
Sindh Bank Limited
JS Bank Limited

NAFA ISLAMIC ASSET ALLOCATION FUND

Auditors

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

Legal Advisor

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

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbpffunds.com

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town, Lahore.
UAN: 042-111-111-632
Fax: 92-42-35861095

Islamabad Office:

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

Peshawar Office:

Opposite Gul Haji Plaza, 2nd Floor
National Bank Building
University Road Peshawar,
UAN: 091-111 111 632
Fax: 091-5703202

Multan Office:

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

NAFA ISLAMIC ASSET ALLOCATION FUND

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Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Mudassir Husain Khan
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Tariq Jamali
Director



Mr. Shehryar Faruque
Director



Dr. Foo Chiah Shiung (Kelvin Foo)
Director



Mr. Abdul Hadi Palekar
Director



Mr. Wajahat Rasul Khan
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Syed Rizwan Aziez
Country Head Sales Strategy



Mr. Muhammad Ali, CFA, FRM
Head of Fixed Income



Mr. Taha Khan Javed, CFA
Head of Equity



Mr. Hassan Raza, CFA
Head of Research



Syed Ali Azhar Hasani
Head of Internal Audit



Mr. Salman Ahmed, CFA
Head of Risk Management



Mr. Zaheer Iqbal - ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head of Compliance



Mr. Shahbaz Umer
Head of Human Resource &
Administration

NAFA ISLAMIC ASSET ALLOCATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Eleventh Annual Report of **NAFA Islamic Asset Allocation Fund (NIAAF)** for the year ended June 30, 2018 .

Fund's Performance

The size of NAFA Islamic Asset Allocation Fund decreased by 22% from Rs. 14,764 million as on June 30, 2017 to Rs.11,502 million on June 30,2018. During the year, the unit price of the Fund has decreased from Rs. 16.9827 (Ex-Div) on June 30, 2017 to Rs. 15.5128 on June 30, 2018, thus posting decline by 8.66%. During the fiscal year, NAFA Islamic Asset Allocation Fund decreased by 8.66% versus 3.56% decline in the benchmark. Thus, the Fund underperformed the benchmark by 5.10% during the year. The drag on the Fund performance was lagged performance of its key holdings belonging to some cyclical sectors, which were indiscriminately sold-off during the risk-off period under review. We expect these stocks to regain the lost ground with the improvement of market sentiments in the due course of time given their undemanding valuations. Since its launch (October 26, 2007), the Fund has risen by 305.78%, versus the benchmark return of 174.03%, thus to date outperformance is 131.75%. This outperformance is net of management fee and all other expenses.

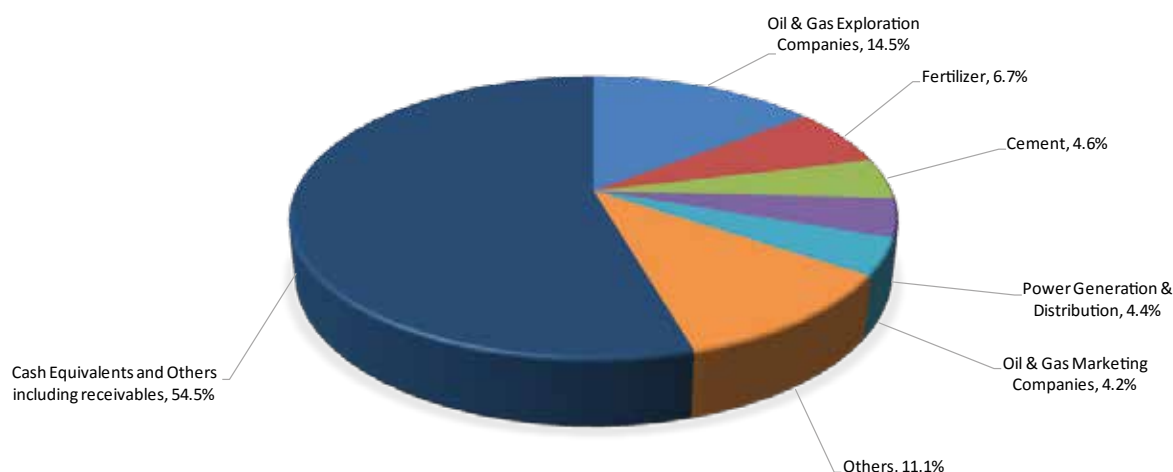
FY2017-18 proved a challenging year for the stock market as the KMI-30 Index dropped by 9.6%. It was the first negative return for equity investors after eight years. A host of factors can be attributed to this lackluster performance of the stock market. Contrary to the market expectations, continued sell-off by the foreign investors in FY18 despite up-gradation of PSX into a widely followed MSCI Emerging Index from Frontier Market, shook investors' confidence. Adding to investors' angst was elevated uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments of Panama Leaks Case, who was later on barred from politics for lifetime. Sit-in by some religious parties in the federal capital and the uncertainty surrounding the elections also took its toll on the stock market. Much awaited Afghan Policy was unveiled by US President, Mr. Donald Trump, signaling tough stance of the US towards Pakistan also perturbed market participants. On the economic front, Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken that included a measured PKR devaluation, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a Foreign & Domestic Assets Declaration Schemes that fell below expectations.

In terms of sectoral performance, Oil & Gas Exploration, Fertilizer and Commercial Bank sectors out-performed the market during FY18, while Cement, Refinery, Engineering, and Automobile Parts & Accessories sectors lagged behind. Foreign investors remained net sellers with outflows of USD 289 million during the aforesaid period. Among local investors, Insurance and Companies remained major net buyers, taking fresh equity exposure worth USD 204 million and USD 100 million, respectively. Mutual Funds, on the other hand, remained net sellers, off-loading shares worth USD 35 million.

The primary market for Corporate Sukuks remained under-supplied against the large and growing demand. In the secondary market, the trading activity in the Corporate Sukuks remained skewed towards high quality debt issues with cumulative trade value of Rs. 9.6 billion in FY18 compared to Rs. 2.7 billion during the last year. However, the scarcity of primary issuance versus elevated demand squeezed the spread and kept the yields on the high credit quality corporate bonds depressed. During the first half of FY18, the SBP maintained the policy rate at 5.75% owing to strong likelihood of continued growth momentum; contained inflation; and anticipation of gain in exports due to improvement in domestic energy supplies and incentives given to exports industry. However, in the latter half, the SBP cumulatively increased the policy rate by 75 basis points to 6.5% in response to growing pressures on the external front driven by ballooning Current Account Deficit (CAD), preempt overheating of the economy, and rein in inflationary pressures. Sovereign yields responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bills yields went up by 79 bps, 90 bps, and 116 bps, respectively.

NAFA Islamic Asset Allocation Fund has incurred a total loss of Rs.925 million during the period. After deducting total expenses of Rs.399 million, the net loss is Rs.1,324 million. The asset allocation of NAFA Islamic Asset Allocation Fund as on June 30, 2018 is as follows:

NAFA ISLAMIC ASSET ALLOCATION FUND



Income Distribution

Due to net loss for the year, no distribution has been made.

Taxation

On account of net loss, no provision for taxation was made in the financial statements of the Fund.

Auditors

The present auditors, Messer Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2019.

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 four meetings during the period. The attendance of all directors is disclosed in the note 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 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 23 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2018, the Board included:

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| Category | Names |
|-------------------------|---|
| Independent Directors | 1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir |
| Executive Directors | Dr. Amjad Waheed – Chief Executive Officer |
| Non-Executive Directors | 1. Mr. Mudassir Husain Khan (Chairman) 2. Mr. Tariq Jamali 3. Mr. Abdul Hadi Palekar 4. Mr. Wajahat Rasul Khan 5. Dr. FOO Chiah Shiung (Kelvin Foo) |

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive
Date: September 05, 2018
Place: Karachi.

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

ڈائریکٹرز رپورٹ

این بی پی فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) کی گیارہویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

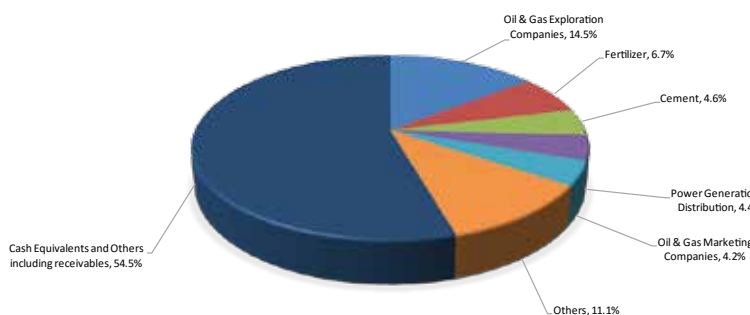
NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) کا سائز 22% سے کم ہوا یعنی 30 جون 2017 کو 14,764 ملین روپے سے کم ہو کر 30 جون 2018 کو 11,502 ملین روپے ہو گیا ہے۔ اس سال کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 16.9827 روپے سے کم ہو کر 30 جون 2018 کو 15.5128 روپے ہو چکی ہے، لہذا 8.66% کی کمی آئی۔ معاشی سال کے دوران NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) اپنے بیچ مارک میں 3.56% کمی کے مقابلے میں 8.66% سے کم ہوا۔ اس طرح فنڈ نے اس سال کے دوران اپنے بیچ مارک سے 5.10% کی اہتر کارکردگی دکھائی۔ فنڈ کی کارکردگی میں کمی کا سبب بعض گردش شعبہ جات کے ساتھ وابستہ اس کے بنیادی ہولڈنگز کی کمزور کارکردگی تھی جو بڑے جائزہ مدت میں بلا تخصیص فروخت کر دیئے گئے۔ ہمیں امید ہے کہ ان کی غیر مطلوبہ اقدار کے کچھ عرصہ بعد مارکیٹ کی صورتحال بہتر ہوتے ہی ان حصص کی کھوئی ہوئی حیثیت بحال ہو جائے گی۔ اپنے آغاز (26 اکتوبر 2007) سے اب تک فنڈ میں 305.78% اضافہ ہوا ہے جب کہ بیچ مارک 174.03% تھا، لہذا فنڈ نے اب تک 131.75% کی بہتر کارکردگی دکھائی۔ یہ کارکردگی منجھٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالی سال 2017-2018 اشاک مارکیٹ کیلئے چیلنج کا سال ثابت ہوا جس میں KMI-30 انڈیکس 9.6% تک گر گیا۔ یہ آٹھ سال کے عرصے میں ایکویٹی سرمایہ کاروں کے منافع میں پہلی کمی تھی۔ اشاک مارکیٹ کی اس ناقص کارکردگی کا سبب کئی عوامل تھے۔ مارکیٹ کی توقعات کے برعکس، PSX کی فرنٹیر مارکیٹ کے MSCI امیگرنگ انڈیکس میں اپ گریڈنگ کے باوجود سرمایہ کاروں کے اعتماد کو دھچکا لگا اور مالی سال 18 میں غیر ملکی سرمایہ کاروں کی جانب سے فروخت کا سلسلہ جاری رہا۔ اس کے علاوہ سرمایہ کاروں کی تشویش میں ملکی سیاست کی بڑھتی ہوئی غیر یقینی کیفیت سے اور اضافہ ہوا جو پانامہ لیکس کیس میں منتخب وزیراعظم کو نااہل قرار دینے کے تاریخی فیصلے سے پیدا ہوئی اور بعد میں ان کے عمر بھر کیلئے سیاست میں حصہ لینے پر پابندی کا باعث بنی۔ بعض مذہبی جماعتوں کی طرف سے وفاقی دارالحکومت میں دھرنے اور الیکشن کے قریب غیر یقینی کی فضا سے اشاک مارکیٹ پر مزید اثر پڑا۔ امریکی صدر مسٹر ڈونلڈ ٹرمپ نے بلاخر کافی عرصہ سے متوقع افغان پالیسی کا اعلان کر دیا جس میں امریکہ کی جانب سے پاکستان پر مزید پابندیاں لگانے کا اشارہ دیا گیا تھا جو مارکیٹ کے شرکاء کے لئے مزید پریشانی کا باعث بنا۔ ادھر معاشی منظر نامہ میں، خام تیل کی بڑھتی ہوئی قیمتیں اور آئل این جی کے ساتھ ساتھ صنعتی خام مال، ٹرانسپورٹ گاڑیوں اور مشینری کی بڑھتی ہوئی درآمدات کی بنا پر کرنٹ اکاؤنٹ کا خسارہ غیر روایتی سطح کی حد تک 18 بلین یو ایس ڈالر تک پہنچ گیا جو مارکیٹ میں تشویش کا بڑا سبب بنا۔ وسیع طلب کے دباؤ کو قابو کرنے کیلئے کئی اقدامات اٹھائے گئے جن میں پاکستانی روپے کی قدر میں کمی پر قابو، غیر ضروری درآمد شدہ اشیاء پر زیادہ اور وسیع حد تک ڈیوٹیز کا نفاذ اور شرح سود میں اضافہ شامل تھا۔ گرتے ہوئے غیر ملکی زرمبادلہ اور دستاویزی معیشت کو سہارا دینے کے لئے حکومت نے غیر ملکی اور ملکی اثاثہ جات ظاہر کرنے کی اسکیمیں متعارف کروائیں جو قابل توقع نتائج نہ دے سکیں۔

مالی سال میں 18 شعبہ جاتی کارکردگی کے لحاظ سے مارکیٹ میں آئل اینڈ گیس ایکسپلوریشن، فریٹلائزر اور کرسٹل بینک کے شعبہ جات کی کارکردگی بہت عمدہ رہی جب کہ سیمنٹ، ریفرنسری، انجینئرنگ اور آٹوموبائل پارٹس اور ایسیریز کے شعبہ بہت پیچھے رہے۔ غیر ملکی سرمایہ کار خالصتاً فروخت کنندہ رہے اور مذکورہ مدت میں 289 بلین یو ایس ڈالر کا سرمایہ ملک سے باہر گیا۔ مقامی سرمایہ کاروں میں انشورنس اوپریٹرز بڑے خریدار رہے اور انہوں نے بالترتیب 204 بلین یو ایس ڈالر اور 100 بلین یو ایس ڈالر کے حصص حاصل کئے۔ دوسری طرف میوچل فنڈز خالص فروخت کنندہ رہے اور 35 بلین یو ایس ڈالر کے حصص فروخت ہوئے۔

ابتدائی مارکیٹ میں کارپوریٹ سکوک کی فراہمی زائد اور بڑھتی ہوئی طلب کے باوجود کم رہی۔ ثانوی مارکیٹ میں کارپوریٹ سکوک کی تجارتی سرگرمیوں کا جھکاؤ اعلیٰ سطح کے قرضہ جات کے اجارہ کی جانب رہا اور مالی سال 18 میں تجارتی حجم 9.6 بلین روپے رہا جب کہ گزشتہ سال کے دوران یہ رقم 2.7 بلین روپے تھی۔ البتہ ابتدائی اجراء کی کمی کے مقابلہ میں بڑھتی ہوئی طلب نے اسپریڈ کو محدود کیا جس کے باعث بہتر معیار کے کارپوریٹ بانڈز پر اصل شرح منافع متاثر ہوا۔ پہلے نصف عرصہ کے دوران، ترقی کی رفتار جاری رہنے کی قوی توقع، افراط زر کی موجودگی، اور ملکی توانائی کی فراہمی میں بہتری اور برآمدات کی صنعت کو دی گئی ترغیبات کے باعث برآمدات میں فروغ کے سلسلے میں پیش رفت کے پیش نظر، ایس بی پی نے 5.75% پالیسی کی شرح کو برقرار رکھا۔ تاہم اگلے نصف عرصہ میں، بیرونی محاذ پر کرنٹ اکاؤنٹ کے خسارے (CAD) میں اضافے کے باعث بڑھتے ہوئے دباؤ، معیشت میں پہلے سے موجود افراط زر اور افراط زر پر قابو کیلئے پانے کے لئے، ایس بی پی نے پالیسی کی شرح میں 75 پیس پوائنٹ کا اضافہ کر دیا اور پالیسی کی شرح 6.5% ہو گئی۔ پالیسی کی شرح میں اضافہ سے اچھے نتائج برآمد ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ T-Bills کے منافع بالترتیب 79 bps، 90 bps اور 116 bps سے بڑھ گئے۔

NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) کو اس سال کے دوران 925 ملین روپے کا مجموعی نقصان ہوا۔ 399 ملین روپے کے اخراجات منہا کرنے کے بعد خالص نقصان 1,324 ملین روپے رہا۔ NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) کی ایسیٹ ایلیکشن 30 جون 2018 کو مطابق ذیل ہے:



آمدنی کی تقسیم

مذکورہ مالی سال میں فنڈ میں خالص نقصان کے سبب کوئی رقم تقسیم نہیں کی گئی۔

NAFA ISLAMIC ASSET ALLOCATION FUND

ٹیکسیشن

خاص نقصان کے سبب فنڈ کے مالیاتی گوشوارے میں ٹیکس کا کوئی پروویژن نہیں رکھا گیا۔

آڈیٹر

موجودہ آڈیٹر میسرز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2019 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

کوڈ آف کارپوریٹ گورننس پر عمل درآمد کے سلسلے میں ڈائریکٹرز کا اسٹیٹمنٹ

1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شریاتی تحجیم مناسب اور معقول نظریات پر مبنی ہیں۔

4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔

5- انٹرئل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔

9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی دیگر حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کی گئی ہے۔

13- کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی مائٹنری انٹرسٹ نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

| نام | کیٹیگری |
|--|------------------------|
| 1- جناب کمال عامر چنائے 2- جناب شہریار فاروق 3- جناب ہمایوں بشیر | غیر جانبدار ڈائریکٹرز |
| ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر) | ایگزیکٹو ڈائریکٹرز |
| 1- جناب مدرثر حسین خان (چیئرمین) 2- جناب طارق جمالی 3- جناب عبدالہادی بابیکر 4- جناب وجاہت رسول خان 5- ڈاکٹر فوشیہ شیونگٹ (کیلون فو) | نان ایگزیکٹو ڈائریکٹرز |

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک

آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

بورڈ اپنے اسٹاف اور سٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

05 ستمبر 2018ء

مقام: کراچی

NAFA ISLAMIC ASSET ALLOCATION FUND

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Asset Allocation Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 13, 2018

NAFA ISLAMIC ASSET ALLOCATION FUND

FUND MANAGER REPORT

NAFA Islamic Asset Allocation Fund (NIAAF) is an Open-ended Shariah Compliant Asset Allocation Fund

Investment Objective of the Fund

Objective of NIAAF is to generate capital appreciation by investing in Shariah Compliant equity and equity related securities and income by investing in Shariah Compliant bank deposits, debt & money market securities.

Benchmark

Daily weighted return of KMI-30 Index & 6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP, based on Fund's actual allocation, effective from September 01, 2016. Previously average of (i) average 3-months Islamic banks deposit rate (ii) 6-months KIBOR or its Shariah Complaint Equivalent (iii) KMI 30 Index.

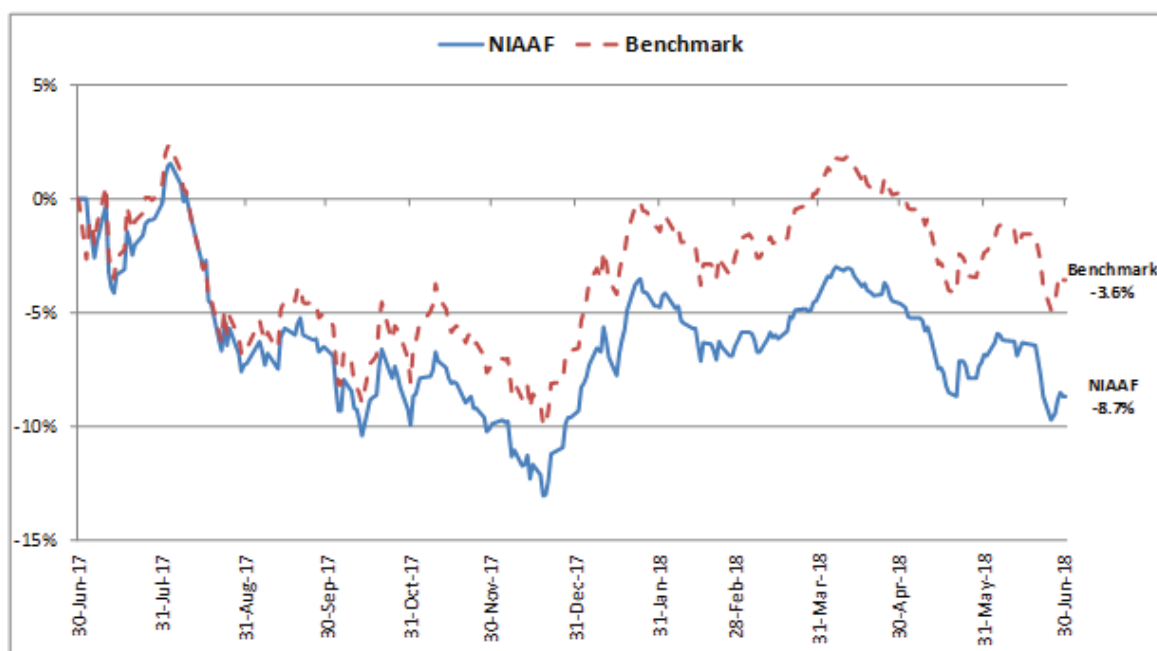
The fund category was changed to Islamic Asset Allocation from Islamic Balanced with effect from April 22, 2014. Consequently, allowed equity range is now 0% to 90% which previously was 30% to 70%. Previous benchmark was 50% KSE-30 Index & 50% 3-month Islamic Bank Deposit.

Fund performance review

This is the eleventh annual report of the Fund. During the fiscal year, NAFA Islamic Asset Allocation Fund decreased by 8.66% as against the benchmark which decreased by 3.56% translating into an underperformance of 5.10% during the year. Since inception (October 26, 2007), NIAAF has risen by 305.78%, whereas the Benchmark has risen by 174.03%, thus to date outperformance is 131.75%. This outperformance is net of management fee and all other expenses. Thus, NIAAF has met its investment objective. During the year, the fund size of NIAAF decreased by 22% to Rs 11,502mn.

NIAAF underperformed during the year as the Fund was overweight in key stocks in Cement, Textile Composite, Oil & Gas Marketing Companies, and Engineering sectors that underperformed the market and underweight in key stocks in Oil & Gas Exploration Companies, Chemical, Oil & Gas Marketing Companies, and Fertilizer sectors that underperformed the market, which contributed to the underperformance. The chart below shows the performance of NIAAF against the Benchmark for the year.

NIAAF Performance vs. Benchmark during FY18



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NIAAF was around 61.3% invested in equities at the beginning of the year. During the year, we adjusted the allocation of the Fund based on our view on different asset classes. Towards the end of the year, NIAAF was around 45.5% invested in equities.

FY2017-18 turned out to be a challenging year for the stock market with first negative return since 2009, as the benchmark KMI-30 Index dropped by 9.6% on a yearly basis. This lackluster performance, in sharp contrast to FY2010-17 period, in which market surged at a CAGR of 28.4%, is attributable to a host of factors. The upgrade of Pakistan's market to a widely followed MSCI Emerging Index from Frontier Market status failed to live up to expectations and unabated sell-off by the foreign investors during the year shook investors' confidence. Amplified uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments surrounding Panama Leaks Case, who was later on barred from politics for lifetime also unnerved the investors. Sit-in by some religious parties in the federal capital and uncertainty surrounding the elections also took its toll on the stock market. Market participants were also perturbed by the US Policy toward Afghanistan, signaling challenges for Pakistan.

On the economic front, twin deficits remained a challenge for the government. Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken of late that included exchange rate adjustment, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a much awaited Foreign & Domestic Assets Declaration Schemes that however, failed to live up to the expectations.

The primary market for Corporate Sukuks remained under-supplied against the large and growing demand. In the secondary market, the trading activity in the Corporate Sukuks remained skewed towards high quality debt issues with cumulative trade value of Rs. 9.6 billion in FY18 compared to Rs. 2.7 billion during the last year. However, the scarcity of primary issuance versus elevated demand squeezed the spread and kept the yields on the high credit quality corporate bonds depressed. During the first half of FY18, the SBP maintained the policy rate at 5.75% owing to strong likelihood of continued growth momentum; contained inflation; and anticipation of gain in exports due to improvement in domestic energy supplies and incentives given to exports industry. However, in the latter half, in response to growing pressures on the external front driven by ballooning Current Account Deficit (CAD) and rein in inflationary pressures, the SBP cumulatively increased the policy rate by 75 basis points from 5.75% to 6.5%. Sovereign yields responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bills yields went up by 79 bps, 90 bps, and 116 bps, respectively.

Asset Allocation of the Fund (% of NAV)

| Particulars | 30-Jun-18 | 30-Jun-17 |
|----------------------------------|---------------|---------------|
| Equities / Stocks | 45.5% | 61.3% |
| Cash Equivalents | 55.7% | 44.0% |
| Other Net Assets / (Liabilities) | -1.2% | -5.3% |
| Total | 100.0% | 100.0% |

NAFA ISLAMIC ASSET ALLOCATION FUND

Details of Non-Compliant Investments

| Particulars | Type of Investment | Value of Investments before Provision | Provision held | Value of Investments after Provision | % of Net Assets | % of Gross Assets |
|-------------------------|--------------------|---------------------------------------|------------------|--------------------------------------|-----------------|-------------------|
| Eden Housing (Sukuk II) | SUKUK | 4,921,875 | 4,921,875 | - | - | - |
| Total | | 4,921,875 | 4,921,875 | - | - | - |

Distribution for the Financial Year 2018

Due to net loss for the year, no distribution has been made

Unit Holding Pattern of NAFA Multi Asset Fund as on June 30, 2018

| Size of Unit Holding (Units) | # of Unit Holders |
|------------------------------|-------------------|
| 1-1000 | 1928 |
| 1001-5000 | 1298 |
| 5001-10000 | 1327 |
| 10001-50000 | 3762 |
| 50001-100000 | 1653 |
| 100001-500000 | 1087 |
| 500001-1000000 | 99 |
| 1000001-5000000 | 76 |
| 5000001-10000000 | 9 |
| 10000001-100000000 | 2 |
| | 11,241 |

During the period under question

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

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 60.862 million. If the same were not made the NAV per unit / FY18 return of scheme would be higher by Rs. 0.0821 / 0.48%. For details investors are advised to read note 18 of the Financial Statement of the Scheme for the year ended June 30, 2018.

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Asset Allocation Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 05, 2018
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC ASSET ALLOCATION FUND

Report of the Shari'ah Advisor NAFA Islamic Asset Allocation Fund

September 04, 2018/ Dhu Al-Hijjah 23, 1439

Alhamdulillah, the period from July 1, 2017 to June 30, 2018 was the tenth year of operations of NAFA Islamic Asset Allocation Fund (NIAAF). This report is being issued in accordance with clause 3.6.8 of the Offering Document 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 six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

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 in line with the Shari'ah 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 from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of equity investments of NIAAF in light of Shari'ah requirements. Following is a list of top investments of NIAAF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 accounts of the Investee companies have been used)

| | (i) | (ii) | (iii) | (iv) | (v) | (vi) | |
|-------------------------------|---------------------------------|-----------------------|----------------------------------|---|--|---|-----------------|
| Company Name | Nature of Business | Debt to Assets (<37%) | Non-Compliant Investments (<33%) | Non-Compliant Income to Gross Revenue (<5%) | Illiquid Assets to Total Assets (>25%) | Net Liquid Assets vs. Share Price (B>A) | |
| | | | | | | Net Liquid Assets per Share (A) | Share Price (B) |
| Pakistan Petroleum Ltd. | Oil & Gas Exploration Companies | 0.06% | 20.86% | 3.79% | 43% | 39.29 | 205.91 |
| Mari Petroleum Ltd | Oil & Gas Exploration Companies | 6.30% | 13.35% | 0.63% | 43% | (440.91) | |
| Pakistan Oil Fields | Oil & Gas Exploration Companies | 0.00% | 0.01% | 2.00% | 72% | (40.74) | |
| Engro Corporation Ltd | Fertilizer | 29.53% | 21.57% | 3.03% | 65% | (75.29) | |
| Oil & Gas Development Company | Oil & Gas Exploration Companies | 0.00% | 25.46% | 4.60% | 39% | 63.81 | 162.79 |
| The Hub Power Co. | Power Generation & Distribution | 29.62% | 0% | 0.10% | 35% | (24.16) | 165.35 |
| Engro Fertilizer Ltd | Fertilizer | 29.63% | 7.32% | 0.12% | 77% | (32.84) | |
| Nishat Mills | Textile | 21.03% | 15.89% | 2.30% | 69% | (0.42) | |

NAFA ISLAMIC ASSET ALLOCATION FUND

- ii. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIAAF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NIAAF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIAAF for the year ended June 30, 2018 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 7,188,104/- was created and an amount of Rupees 6,349,692/- was available for disbursement into charity as of June 30, 2018, which is inclusive of Rupees 2,124,545/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2018 will be adjusted after the availability of the respective annual financial statements.

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

For and on behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC ASSET ALLOCATION FUND

INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of **NAFA Islamic Asset Allocation** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2018.

Management Company's responsibility

Management Company (NBP Fund Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and Offering Document of the Fund. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

Responsibility of an independent assurance provider

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with Shariah Principles specified in the Trust Deed and Offering Document of the Fund.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specific Shariah Principles relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2018 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

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah Principles for the year ended June 30, 2018.

Deloitte Yousuf Adil
Chartered Accountants
Dated: September 25, 2018
Place: Karachi

NAFA ISLAMIC ASSET ALLOCATION FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NAFA Islamic Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transaction for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|--|---|
| 1 | <p>Valuation and existence of investment</p> <p>As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss – held for trading amounted to Rs. 5,231 million as at June 30, 2018.</p> <p>The Fund's investments mainly include listed equity securities therefore there is a risk that appropriate quoted prices may not be used to determine fair value of the investments.</p> <p>Further, in respect of existence of investments, there is a risk that the Fund may have included investments in its financial statements which are not owned by Fund.</p> | <p>Valuation and existence was assessed by:</p> <ul style="list-style-type: none">evaluating the design and implementation of key controls around investments;independently testing 100% of the valuations directly to pricing sources;any differences identified during our testing that were over our acceptable threshold were investigated further; andindependently matching the securities held by the Fund as per internal records with the securities appearing in the CDC account and investigated any reconciling items. |

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| | | |
|---|--|---|
| 2 | <p>Element of Income</p> <p>As disclosed in detail in note 3.5.1, the Securities and Exchange Commission of Pakistan (the SECP) issued SRO no. 756(1)/2017 dated August 03, 2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). As part of such amendments as definition of Element of Income has been incorporated and certain amendments were also made in the 5th Schedule to the NBFC Regulations whereby distribution statement has been omitted from the financial statements and Element of Income has been made part of the 'Unit Holders' Fund' instead of the 'Income Statement' as suggested by ICAP and a new disclosure regarding allocation of accounting income is added to the 'Income Statement'.</p> <p>The abovementioned amendments require significant changes in the presentation of the financial statements and the accounting treatment of the 'Element of Income' and the policy for distribution/dividends made by the Fund.</p> | <p>In order to address the matter we have:</p> <ul style="list-style-type: none"> • Obtained understanding of the amendments made in the NBFC Regulations; • Obtained understanding of the changes required in the disclosures and accounting treatments in the financial statements of the Fund; • Held discussions with the Management regarding the changes required; and • On sample basis we have checked the calculation made and recorded in the financial statements as related to this key audit matter. |
|---|--|---|

Information other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the Director's report, Fund Managers' report, Trustee report to the unit holders, Statement of Compliance with the Shariah principles, Report of the Shariah Advisor, performance table and proxy voting disclosure.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management Company for the Financial Statements

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Management Company are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

NAFA ISLAMIC ASSET ALLOCATION FUND

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Hena Sadiq.

Deloitte Yousuf Adil
Chartered Accountants

Date: September 25, 2018
Place: Karachi

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

| | Note | 2018 -----Rupees in '000----- | 2017 |
|---|------|----------------------------------|--------------------|
| ASSETS | | | |
| Bank balances | 4 | 6,412,181 | 6,044,017 |
| Investments | 5 | 5,230,962 | 9,047,063 |
| Mark-up accrued and dividend receivable | 6 | 40,908 | 56,542 |
| Receivable against transfer of units | 7 | - | 4,861 |
| Deposits, prepayments and other receivables | 8 | 5,314 | 3,961 |
| Total assets | | 11,689,365 | 15,156,444 |
| LIABILITIES | | | |
| Payable to NBP Fund Management Limited - Management Company | 9 | 78,944 | 112,880 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 10 | 1,178 | 1,533 |
| Payable to the Securities and Exchange Commission of Pakistan | 11 | 12,375 | 10,281 |
| Payable against redemption of units | | - | 7,412 |
| Payable against transfer of units | 12 | - | 2,055 |
| Payable against purchase of investments | | - | 2,027 |
| Dividend payable | | - | 22,790 |
| Accrued expenses and other liabilities | 13 | 94,519 | 233,233 |
| Total liabilities | | 187,016 | 392,211 |
| NET ASSETS | | 11,502,349 | 14,764,233 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 11,502,349 | 14,764,233 |
| Contingencies and commitments | 14 | | |
| -----Number of units----- | | | |
| Number of units in issue | 15 | 741,473,825 | 864,317,639 |
| -----Rupees----- | | | |
| Net asset value per unit | 16 | 15.5128 | 17.0820 |

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 Rupees in '000 | 2017 |
|--|------|------------------------|------------------|
| INCOME | | | |
| Return / mark-up on | | | |
| - bank balances | | 336,950 | 214,474 |
| - sukuks | | - | 2,678 |
| Dividend income | | 377,024 | 277,375 |
| Net (loss) / gain on sale of investments | | (805,567) | 26,628 |
| Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading | 5.5 | (833,639) | 1,058,393 |
| Total (loss) / Income | | (925,232) | 1,579,548 |
| EXPENSES | | | |
| Remuneration of NBP Fund Management Limited - Management Company | 9.1 | 260,529 | 204,699 |
| Sindh Sales Tax on remuneration of the Management Company | 9.2 | 33,869 | 26,611 |
| Reimbursement of operational expenses to the Management Company | 9.3 | 13,026 | 10,235 |
| Selling and marketing expenses charged by the Management Company | 9.4 | 52,106 | 19,137 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 10.1 | 14,026 | 11,235 |
| Sindh Sales Tax on remuneration of the Trustee | 10.2 | 1,823 | 1,461 |
| Annual fee to the Securities and Exchange Commission of Pakistan | 11.1 | 12,375 | 10,281 |
| Securities transaction cost | | 6,794 | 5,382 |
| Settlement and bank charges | | 2,635 | 890 |
| Auditors' remuneration | 17 | 558 | 546 |
| Fund rating fee | | 190 | 90 |
| Legal and professional charges | | 406 | 63 |
| Annual listing fee | | 28 | 55 |
| Printing charges | | 15 | 8 |
| Shariah advisor fee | | 328 | 423 |
| Total expenses | | 398,708 | 291,116 |
| Net (loss) / income from operating activities | | (1,323,940) | 1,288,432 |
| Net element of gain and capital gains included in prices of units issued less those in units redeemed | | - | 1,102,080 |
| Reversal of provision for Workers' Welfare Fund | 18 | - | 15,790 |
| Provision for Sindh Workers' Welfare Fund | 18 | - | (60,862) |
| Net (loss) / income for the year before taxation | | (1,323,940) | 2,345,440 |
| Taxation | 19 | - | - |
| Net (loss) / income for the year after taxation | | (1,323,940) | 2,345,440 |
| Earnings per unit | 20 | | |
| Allocation of net income for the year | | | |
| Net loss for the year after taxation | | (1,323,940) | |
| Income already paid on units redeemed | | - | |
| | | (1,323,940) | |
| Accounting income available for distribution: | | | |
| - Relating to capital gain | | - | |
| - Excluding capital gain | | - | |
| | | - | |

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 | 2017 |
|---|----------------------------|------------------|
| | ----- Rupees in '000 ----- | |
| Net (loss) / income for the year after taxation | (1,323,940) | 2,345,440 |
| Other comprehensive income | - | - |
| Total comprehensive (loss) / income for the year | (1,323,940) | 2,345,440 |

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

2018

2017

| | (Rupees in '000) | | | | | |
|---|-------------------|-----------------------|-----------------------|-------------------|-------------------------|-----------------------|
| | Capital Value | Undistributed income | Total | Capital Value | Undistributed income | Total |
| Net assets at beginning of the year | 12,860,041 | 1,904,192 | 14,764,233 | 4,818,763 | 616,355 | 5,435,118 |
| Issuance of 405,414,041 units (2017: 1,194,816,054 units) | | | | | | |
| - Capital value | 6,901,473 | - | 6,901,473 | | | |
| - Element of loss | (361,088) | - | (361,088) | | | |
| Total proceeds on issuance of units | 6,540,385 | - | 6,540,385 | 18,629,542 | 2,858,288 | 21,487,830 |
| Redemption of 528,257,855 units (2017: 679,083,091 units) | | | | | | |
| - Capital value | (8,989,437) | - | (8,989,437) | | | |
| - Element of income | 591,037 | - | 591,037 | | | |
| Total payments on redemption of units | (8,398,400) | - | (8,398,400) | (10,588,264) | (1,756,208) | (12,344,472) |
| Net element of income and capital gains included in prices of units issued less those in units redeemed | - | - | - | | (1,102,080) | (1,102,080) |
| Total comprehensive (loss) / income for the year | - | (1,323,940) | (1,323,940) | | 2,345,440 | 2,345,440 |
| Distribution during the year | - | (79,929) | (79,929) | | (1,057,603) | (1,057,603) |
| Net assets at end of the year | 11,002,026 | 500,323 | 11,502,349 | 12,860,041 | 1,904,192 | 14,764,233 |
| Undistributed income brought forward | | | | | | |
| - Realised | | 845,799 | | | 182,540 | |
| - Unrealised | | 1,058,393 | | | 433,815 | |
| | | <u>1,904,192</u> | | | <u>616,355</u> | |
| Accounting income available for distribution | | | | | | |
| - Relating to capital gain | | - | | | | |
| - Excluding capital gain | | - | | | | |
| | | <u>-</u> | | | | |
| Net (loss) / income for the year after taxation | | (1,323,940) | | | 2,345,440 | |
| Distribution during the year | | (79,929) | | | (1,057,603) | |
| Undistributed income carried forward | | <u>500,323</u> | | | <u>1,904,192</u> | |
| Undistributed income carried forward | | | | | | |
| - Realised | | 1,333,962 | | | 845,799 | |
| - Unrealised | | (833,639) | | | 1,058,393 | |
| | | <u>500,323</u> | | | <u>1,904,192</u> | |
| | | | - (Rupees) - | | | - (Rupees) - |
| Net assets value per unit at beginning of the year | | | <u>17.0820</u> | | | <u>15.5920</u> |
| Net assets value per unit at end of the year | | | <u>15.5128</u> | | | <u>17.0820</u> |

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 Rupees in '000 | 2017 Rupees in '000 |
|--|------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net (loss) / income for the year before taxation | | (1,323,940) | 2,345,440 |
| Adjustments: | | | |
| Return / mark-up on; | | | |
| - bank balances | | (336,950) | (214,474) |
| - sukuks | | - | (2,678) |
| Dividend income | | (377,024) | (277,375) |
| Net unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss - held for trading | | 833,639 | (1,058,393) |
| Net element of income and capital gains included in prices of units issued less those in units redeemed | | - | (1,102,080) |
| Reversal of provision for Workers' Welfare Fund | | - | (15,790) |
| Provision for Sindh Workers' Welfare Fund | | - | 60,862 |
| | | 119,665 | (2,609,928) |
| | | (1,204,275) | (264,488) |
| (Increase) / decrease in assets | | | |
| Investments - net | | 2,982,462 | (4,572,431) |
| Deposits, prepayments and other receivables | | (1,353) | (1,124) |
| | | 2,981,109 | (4,573,555) |
| Increase / (decrease) in liabilities | | | |
| Payable to the Management Company | | (33,936) | 71,586 |
| Payable to the Trustee | | (355) | 943 |
| Payable to the Securities and Exchange Commission of Pakistan | | 2,094 | 6,938 |
| Payable against purchase of investments | | (2,027) | - |
| Accrued expenses and other liabilities | | (138,714) | 107,859 |
| | | (172,938) | 187,326 |
| Mark-up on bank balances received | | 331,100 | 194,385 |
| Mark-up on sukuks received | | - | 2,801 |
| Dividend received | | 398,508 | 252,602 |
| | | 2,333,504 | (4,200,929) |
| Net cash generated from / (used in) operating activities | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net cash generated from investing activities | | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Amounts received on issuance of units | | 6,545,246 | 22,047,123 |
| Amounts paid on redemption of units | | (8,407,867) | (12,381,525) |
| Dividend paid | | (102,719) | (1,035,824) |
| | | (1,965,340) | 8,629,774 |
| Net cash (used in) / generated from financing activities | | | |
| Net increase in cash and cash equivalents during the year | | 368,164 | 4,428,845 |
| Cash and cash equivalents at the beginning of the year | | 6,044,017 | 1,615,172 |
| Cash and cash equivalents at the end of the year | 4 | 6,412,181 | 6,044,017 |

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited (formerly: NBP Fullerton Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through supplemental trust deed executed on October 07, 2013 for the change of name and categorization of the Fund as a shariah compliant asset allocation scheme.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Fund is an open-ended mutual fund and categorised as an islamic asset allocation scheme and its units are listed on Pakistan Stock Exchange Limited. Units of the Fund are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

The investment objective of the Fund is to generate income by investing in shariah compliant equity and equity related securities and income by investing in shariah compliant bank deposits, debt and money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and has assigned performance ranking of 3-star to the Fund.

Title of the assets of the Fund is held in the name of CDC as a trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

2.2 Basis of measurement

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

NAFA ISLAMIC ASSET ALLOCATION FUND

2.3 Functional and presentation currency

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

2.4 Adoption of new standards, amendments and interpretations to the published approved accounting standards:

2.4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

| | |
|--|------------------|
| Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative | January 01, 2017 |
| Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses | January 01, 2017 |

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

2.4.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments (except for IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

| | |
|---|--|
| IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 01, 2018 |
| IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date. | January 01, 2019 |
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | July 01, 2018 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018. |

NAFA ISLAMIC ASSET ALLOCATION FUND

**Effective from accounting period
beginning on or after:**

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement

January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

January 01, 2018. Earlier application is permitted.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018. Earlier application is permitted.

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which are also not expected to have material impact on financial reporting of the Fund.

2.5 IFRS 9 'Financial Instruments' Impact Assessment

2.5.1 IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

Key requirements of IFRS 9 are as follows;

Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

NAFA ISLAMIC ASSET ALLOCATION FUND

Classification and measurement of financial liabilities

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

2.5.2 Impact assessment

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will qualify to be classified and measured at "Amortised cost" upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.7 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying Fund's accounting policies. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In the process of applying Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of financial assets (Note 3.2.1)
- (b) impairment of financial assets (Note 3.2.5)
- (c) provisions (Note 3.6)

3 SUMMARY OF SIGNIFICANT

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

NAFA ISLAMIC ASSET ALLOCATION FUND

3.1 Cash and cash equivalents

Cash comprises current and savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.2 Financial assets

3.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available-for-sale.

a) Investments at fair value through profit or loss - held-for-trading

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

b) Loans and receivables

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

c) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the assets.

3.2.3 Initial recognition and measurement

Financial assets are initially recognized 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 recognized at fair value and transaction costs are recognized in the 'income statement'.

3.2.4 Subsequent measurement

a) Financial assets designated by the management as 'at fair value through profit or loss - held for trading' and 'available for sale'

1) Debt securities (other than government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities vide its Circular no. 1 of 2009 dated January 6, 2009 and Circular no. 33 of 2012 dated October 24, 2012. In the determination of valuation rates, the MUFAP takes into account the holding pattern of these securities and categorizes 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.

2) Government securities

The investment of the Fund in shariah compliant government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

3) Equity securities

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'.

NAFA ISLAMIC ASSET ALLOCATION FUND

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 derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortized cost using the effective interest method. Gains or losses are also recognized in the 'income statement' when financial assets carried at amortized cost are derecognised or impaired, and through the amortization process.

3.2.5 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 recognized whenever, the carrying amount of an asset exceeds its recoverable amount. impairment losses are recognized in the 'income statement'.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under Circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognized on debt securities can be reversed through the 'income statement'.

As allowed under Circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

b) Equity securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 'income statement', is reclassified from other comprehensive income and recognized in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

c) Loans and receivables

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

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortized cost.

3.4 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

NAFA ISLAMIC ASSET ALLOCATION 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.

3.5 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) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

3.5.1 Amendment in the NBFC Regulations in the current year

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income should be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the amended regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealized appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognized in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as allowed by the SECP vide their email to MUFAP dated February 8, 2018. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs. 229.949 million consequently NAV per unit would have no impact. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

NAFA ISLAMIC ASSET ALLOCATION FUND

3.6 Provisions

Provisions are recognized when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 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 capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the income statement in the period in which they arise.
- Mark-up / return on shariah compliant government securities and bank balances are recognised on a time apportionment basis using the effective interest method.
- Dividend income is recognised when the right to receive the dividend is established.

3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

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

3.9 Proposed distributions

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

3.10 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.

| | | 2018 | 2017 |
|--|---|------------------|------------------|
| | Note | Rupees in '000 | |
| 4 BANK BALANCES | | | |
| Current accounts | | 41,056 | 260,680 |
| Savings accounts | 4.1 | 6,371,125 | 5,783,337 |
| | | 6,412,181 | 6,044,017 |
| 4.1 | These savings accounts carry mark-up at rates ranging from 2.40% to 7.50% per annum (2017: 2.40% to 6.75% per annum). | | |
| 5 INVESTMENTS | | | |
| | Note | Rupees in '000 | |
| At fair value through profit or loss - held for trading | | | |
| Listed equity securities | 5.1 | 5,230,962 | 9,047,063 |
| Available for sale | | | |
| Sukuks | 5.4 | - | - |
| | | 5,230,962 | 9,047,063 |

NAFA ISLAMIC ASSET ALLOCATION FUND

5.1 Listed equity securities

| Name and sector of the investee company | As at July 01, 2017 | Purchased during the year | Bonus / Right issue | Sold during the year | As at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of net assets | Market value as a percentage of total investment | Investment as a percentage of paid up capital of the investee company |
|---|---------------------|---------------------------|---------------------|----------------------|---------------------|----------------------------------|--|--|---|
|---|---------------------|---------------------------|---------------------|----------------------|---------------------|----------------------------------|--|--|---|

----- Number of shares -----Rs. In '000----- % -----

All shares have a nominal face value of Rs. 10 each except for shares of Thal Limited and K-Electric Limited which have a face value of Rs. 5 and Rs. 3.5 each respectively.

OIL AND GAS MARKETING COMPANIES

| | | | | | | | | | |
|--|-----------|-----------|---------|-----------|-----------|-------------|------|-------------|-------|
| Attock Petroleum Limited | 133,900 | - | - | - | 133,900 | 79,000 | 0.69 | 1.51 | 0.161 |
| Pakistan State Oil Company Limited (Refer 5.3) | 1,003,596 | 147,000 | 172,719 | 745,600 | 577,715 | 183,893 | 1.60 | 3.52 | 0.177 |
| Hasco Petroleum Limited | 2,604 | - | 22 | - | 2,626 | 823 | 0.01 | 0.02 | 0.002 |
| Sui Northern Gas Pipelines Limited | 1,085,500 | 1,665,500 | - | 1,593,000 | 1,158,000 | 116,055 | 1.01 | 2.22 | 0.183 |
| Shell Pakistan Limited | 494,200 | 9,800 | - | 183,600 | 320,400 | 101,275 | 0.88 | 1.94 | 0.299 |
| | | | | | | 4.19 | | 9.21 | |

OIL AND GAS EXPLORATION COMPANIES

| | | | | | | | | | |
|---|-----------|-----------|---|-----------|-----------|--------------|------|--------------|-------|
| Oil and Gas Development Company Limited | 2,756,300 | 1,265,600 | - | 1,620,900 | 2,401,000 | 373,644 | 3.25 | 7.14 | 0.056 |
| Pakistan Oilfields Limited | 758,560 | 341,800 | - | 466,750 | 633,610 | 425,653 | 3.70 | 8.14 | 0.268 |
| Pakistan Petroleum Limited | 1,945,070 | 1,301,500 | - | 1,196,800 | 2,049,770 | 440,496 | 3.83 | 8.42 | 0.104 |
| Mari Petroleum Company Limited | 330,720 | - | - | 43,920 | 286,800 | 431,972 | 3.76 | 8.26 | 0.260 |
| | | | | | | 14.54 | | 31.96 | |

REFINERY

| | | | | | | | | | |
|-------------------------|---------|--------|---|---------|--------|-------------|------|-------------|-------|
| Attock Refinery Limited | 150,600 | 30,000 | - | 147,000 | 33,600 | 7,234 | 0.06 | 0.14 | 0.039 |
| | | | | | | 0.06 | | 0.14 | |

CHEMICALS

| | | | | | | | | | |
|-----------------------------|---------|-------|---|-----|---------|-------------|------|-------------|-------|
| AKZO Noble Pakistan Limited | 29,900 | - | - | - | 29,900 | 5,584 | 0.05 | 0.11 | 0.064 |
| Dynea Pakistan Limited | 21,500 | - | - | - | 21,500 | 2,733 | 0.02 | 0.05 | 0.228 |
| ICIPakistan Limited | - | 5,000 | - | 100 | 4,900 | 3,927 | 0.03 | 0.08 | 0.426 |
| Ittihad Chemicals Limited | 327,750 | - | - | - | 327,750 | 11,393 | 0.10 | 0.22 | 0.005 |
| | | | | | | 0.20 | | 0.46 | |

FOOD AND PERSONAL CARE PRODUCTS

| | | | | | | | | | |
|--------------------------------|-----------|---|---|--------|-----------|-------------|------|-------------|-------|
| Engro Foods Limited | 85,500 | - | - | 85,500 | - | - | - | - | - |
| Al Shaheer Corporation Limited | 1,116,654 | - | - | - | 1,116,654 | 30,429 | 0.26 | 0.58 | 0.786 |
| | | | | | | 0.26 | | 0.58 | |

LEATHER AND TANNERIES

| | | | | | | | | | |
|----------------------------|--------|---|---|--------|---|----------|---|----------|---|
| Service Industries Limited | 26,000 | - | - | 26,000 | - | - | - | - | - |
| | | | | | | - | | - | |

ENGINEERING

| | | | | | | | | | |
|--|-----------|-----------|---|-----------|---------|-------------|------|-------------|-------|
| International Steels Limited | 1,141,500 | 1,209,800 | - | 1,386,000 | 965,300 | 98,171 | 0.85 | 1.88 | 0.222 |
| International Industries Limited | 125,900 | 12,000 | - | - | 137,900 | 32,033 | 0.28 | 0.61 | 0.115 |
| K.S.B. Pumps Company Limited | 8,200 | - | - | - | 8,200 | 2,296 | 0.02 | 0.04 | 0.062 |
| Crescent Steel & Allied Products | 350,000 | - | - | 227,000 | 123,000 | 11,214 | 0.10 | 0.21 | 0.158 |
| Amreli Steels Limited | 1,413,000 | 407,000 | - | 1,438,500 | 381,500 | 26,915 | 0.23 | 0.51 | 0.128 |
| Mughal Iron And Steel Industries Limited | 1,359,543 | 701,500 | - | 1,655,000 | 406,043 | 24,939 | 0.22 | 0.48 | 0.161 |
| | | | | | | 1.70 | | 3.73 | |

CEMENT

| | | | | | | | | | |
|-----------------------------------|-----------|---------|---------|-----------|-----------|-------------|------|--------------|-------|
| D.G. Khan Cement Company Limited | 1,998,900 | 330,000 | - | 1,642,000 | 686,900 | 78,643 | 0.68 | 1.50 | 0.157 |
| Lucky Cement Limited | 563,200 | 28,400 | - | 402,400 | 189,200 | 96,100 | 0.84 | 1.84 | 0.059 |
| Maple Leaf Cement Factory Limited | 994,000 | 475,000 | 103,625 | 1,097,625 | 475,000 | 24,102 | 0.21 | 0.46 | 0.080 |
| Attock Cement Pakistan Limited | 814,200 | 100,100 | - | - | 914,300 | 122,955 | 1.07 | 2.35 | 0.798 |
| Pioneer Cement Limited | 1,597,200 | - | - | 532,000 | 1,065,200 | 49,915 | 0.43 | 0.95 | 0.469 |
| Fauji Cement Company Limited | 3,582,000 | - | - | 3,582,000 | - | - | - | - | - |
| FEETO Cement Limited | 239,200 | - | - | - | 239,200 | 9,989 | 0.09 | 0.19 | 0.477 |
| Kohat Cement Company Limited | 582,300 | 77,300 | - | 85,000 | 574,600 | 70,716 | 0.61 | 1.35 | 0.372 |
| Cherat Cement Company Limited | 566,200 | 958,500 | - | 695,500 | 829,200 | 80,623 | 0.70 | 1.54 | 0.469 |
| | | | | | | 4.63 | | 10.18 | |

TRANSPORT

| | | | | | | | | | |
|--|---------|---|---|---|---------|-------------|------|-------------|-------|
| Pakistan National Shipping Corporation | 169,200 | - | - | - | 169,200 | 13,864 | 0.12 | 0.27 | 0.128 |
| | | | | | | 0.12 | | 0.27 | |

Balance carried forward

25.70 **56.53**

NAFA ISLAMIC ASSET ALLOCATION FUND

| Name and sector of the investee company | As at July 01, 2017 | Purchased during the year | Bonus / Right issue | Sold during the year | As at June 30, 2018 | Market value as at June 30, 2018 | Market value as a percentage of net assets | Market value as a percentage of total investment | Investment as a percentage of paid up capital of the investee company |
|--|---------------------------|---------------------------------|------------------------|-------------------------|---------------------------|--|--|---|---|
| | Number of shares | | | | | Rs. In '000 | % | | |
| Balance brought forward | | | | | | | 25.70 | 56.53 | |
| TEXTILE COMPOSITE | | | - | | | | | | |
| Nishat Mills Limited | 2,286,100 | 1,068,700 | - | 1,403,000 | 1,951,800 | 275,048 | 2.39 | 5.26 | 0.555 |
| Kohinoor Textile Mills Limited (Refer 5.3) | 3,152,100 | 109,400 | 190,280 | 1,042,000 | 2,409,780 | 132,514 | 1.15 | 2.53 | 0.805 |
| Synthetic Products Limited | 578,500 | 61,000 | - | 269,000 | 370,500 | 18,933 | 0.16 | 0.36 | 0.435 |
| | | | | | | | 3.70 | 8.15 | |
| FERTILIZER | | | | | | | | | |
| Engro Corporation Limited | 1,799,200 | 771,000 | - | 1,214,500 | 1,355,700 | 425,500 | 3.70 | 8.13 | 0.259 |
| Engro Fertilizers Limited | 5,842,000 | 3,384,500 | - | 4,999,500 | 4,227,000 | 316,645 | 2.75 | 6.05 | 0.317 |
| Fauji Fertilizer Bin Qasim Limited | 825,000 | - | - | 825,000 | - | - | - | - | - |
| Dawood Hercules Corporation Limited | 267,200 | - | - | - | 267,200 | 29,600 | 0.26 | 0.57 | 0.056 |
| Fatima Fertilizer Company Limited | 2,500 | - | - | 2,500 | - | - | - | - | - |
| Fauji Fertilizer Company Limited | - | - | - | - | - | - | - | - | - |
| | | | | | | | 6.71 | 14.75 | |
| POWER GENERATION AND DISTRIBUTION | | | - | | | | | | |
| The Hub Power Company Limited | 3,147,960 | 1,231,000 | - | 901,500 | 3,477,460 | 320,483 | 2.79 | 6.13 | 0.3005 |
| Lalpir Power Limited | 407,000 | - | - | - | 407,000 | 7,818 | 0.07 | 0.15 | 0.1072 |
| Pakgen Power Limited | 5,000 | - | - | 5,000 | - | - | - | - | - |
| Kot Addu Power Company Limited | 2,238,000 | - | - | 454,000 | 1,784,000 | 96,175 | 0.84 | 1.84 | 0.2027 |
| K-Electric Limited | 11,665,000 | 16,435,000 | - | 13,595,000 | 14,505,000 | 82,388 | 0.72 | 1.58 | 0.0750 |
| | | | | | | | 4.42 | 9.70 | |
| COMMERCIAL BANKS | | | | | | | | | |
| Meezan Bank Limited | 665,781 | 385,500 | 39,946 | 7,000 | 1,084,227 | 88,603 | 0.77 | 1.69 | 0.102 |
| | | | | | - | | 0.77 | 1.69 | |
| AUTOMOBILE ASSEMBLER | | | | | | | | | |
| Millat Tractors Limited | 274,600 | 20,600 | - | 247,080 | 48,120 | 57,169 | 0.50 | 1.09 | 0.109 |
| Hinopak Motors Limited | 1,780 | - | - | 1,780 | - | - | - | - | - |
| Sazgar Engineering Works Limited | - | - | - | - | - | - | - | - | - |
| Honda Atlas Cars (Pakistan) Limited | 104,450 | - | - | 47,550 | 56,900 | 18,003 | 0.16 | 0.34 | 0.040 |
| Indus Motor Company Limited | 134,380 | - | - | 112,340 | 22,040 | 31,329 | 0.27 | 0.60 | 0.028 |
| | | | | | | | 0.93 | 2.03 | |
| AUTOMOBILE PARTS AND ACCESSORIES | | | | | | | | | |
| Baluchistan Wheels Limited | 227,000 | - | - | - | 227,000 | 24,564 | 0.21 | 0.47 | 1.702 |
| Thal Limited | 160,097 | - | - | 97,700 | 62,397 | 29,796 | 0.26 | 0.57 | 0.077 |
| | | | | | | | 0.47 | 1.04 | |
| PHARMACEUTICALS | | | | | | | | | |
| Abbott Laboratories (Pakistan) Limited | 148,450 | - | - | 49,550 | 98,900 | 67,747 | 0.59 | 1.30 | 0.101 |
| Ferozsons Laboratories Limited | 51,200 | - | - | - | 51,200 | 9,970 | 0.09 | 0.19 | 0.170 |
| The Searle Company Limited (Refer 5.3) | 86,806 | 65,000 | 13,961 | 86,000 | 79,767 | 27,081 | 0.24 | 0.52 | 0.043 |
| Glaxosmithkline Pakistan Limited | 97,100 | - | - | - | 97,100 | 16,119 | 0.14 | 0.31 | 0.030 |
| | | | | | | | 1.06 | 2.32 | |
| TECHNOLOGY AND COMMUNICATION | | | | | | | | | |
| Avanceon Limited | 634,000 | - | - | - | 634,000 | 41,996 | 0.37 | 0.80 | 0.465 |
| | | | | | | | 0.37 | 0.80 | |
| CABLE AND ELECTRIC GOODS | | | | | | | | | |
| Pak Elektron Limited | 3,002,500 | 439,000 | - | 3,441,500 | - | - | - | - | - |
| | | | | | | | - | - | |
| PAPERS AND BOARD | | | | | | | | | |
| Century Papers and Board Mills Limited | - | 60,400 | - | - | 60,400 | 3,835 | 0.03 | 0.07 | 0.041 |
| | | | | | | | 0.03 | 0.07 | |
| GLASS AND CERAMICS | | | | | | | | | |
| Tariq Glass Industries Limited | 1,005,500 | 141,700 | - | - | 1,147,200 | 122,934 | 1.07 | 2.35 | 1.562 |
| Shabbir Tiles and Ceramics Limited | 1,895,500 | 16,000 | - | 481,000 | 1,430,500 | 30,126 | 0.26 | 0.58 | 0.874 |
| | | | | | | | 1.33 | 2.93 | |
| | | | | | | | | | |
| | | | | | | 5,230,962 | 45.49 | 100 | |
| Carrying value before mark to market as at June 30, 2018 | | | | | | 6,064,601 | | | |

NAFA ISLAMIC ASSET ALLOCATION FUND

5.2 Investments include shares with market value of Rs. 306.016 million (2017: Rs. 104.035 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange commission of Pakistan.

5.3 This represents gross bonus shares as per Fund's entitlement declared by the investee company. The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of five percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) has withheld the shares equivalent to five % of bonus announcement and not yet deposited in CDC account of department of Income Tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis.

5.4 Sukuks - available for sale

| Name of the investee company | Note | Number of certificates | | | | Market value as at June 30, 2018 | Investment as a percentage of | | |
|------------------------------|------|------------------------|---------------------------|--------------------------------|---------------------|----------------------------------|-------------------------------|-----------------------------------|------------|
| | | As at July 1, 2017 | Purchased during the year | Sold / Matured during the year | As at June 30, 2018 | | Net assets | Market value of total investments | Issue size |

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

All sukuk have a face value of Rs. 5,000 each.

| | | | | | | | | | |
|----------------------|-------|--------------|---|---|--------------|---|---|---|---|
| Eden Housing Limited | 5.4.1 | <u>5,000</u> | - | - | <u>5,000</u> | - | - | - | - |
|----------------------|-------|--------------|---|---|--------------|---|---|---|---|

Carrying value as at June 30, 2018 4,922

Accumulated impairment 4,922

5.4.1 This represents investment in privately placed sukuk with a term of five years. On May 6, 2011, the investee company defaulted its principal and profit payment and therefore it was classified as non performing asset by MUFAP. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.4.2 The sukuk held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

5.4.3 Other particulars of sukuk outstanding as at June 30, 2018 are as follows:

| Name of the investee company | Face value (unredeemed) | Mark-up rate per annum | Rating | Issue Date | Maturity Date |
|------------------------------|-------------------------|------------------------|--------|------------|---------------|
|------------------------------|-------------------------|------------------------|--------|------------|---------------|

| | | | | | |
|--------------------|-----|----------------------------------|-----------|-----------|-----------|
| Eden House Limited | 984 | 6 Month KIBOR ask rate plus 2.5% | Not rated | 31-Mar-08 | 31-Mar-13 |
|--------------------|-----|----------------------------------|-----------|-----------|-----------|

NAFA ISLAMIC ASSET ALLOCATION FUND

| | | 2018 | 2017 |
|--|---|--------------------------|------------------|
| | Note | -----Rupees in '000----- | |
| 5.5 | Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading | | |
| Market value of investments | 5.1 & 5.2 | 5,230,962 | 9,047,063 |
| Less: carrying value of investments before mark to market | 5.1 & 5.2 | (6,064,601) | (7,988,670) |
| | | <u>(833,639)</u> | <u>1,058,393</u> |
| 5.6 | Movement in provision against non-performing sukuks | | |
| Opening balance | | 4,922 | 4,922 |
| Add: charge for the year | | - | - |
| Less: reversal of provision against non-performing sukuks | | - | - |
| Closing balance | | <u>4,922</u> | <u>4,922</u> |
| 6 | MARK-UP ACCRUED AND DIVIDEND RECEIVABLE | | |
| Mark-up accrued on bank balances | | 33,143 | 27,293 |
| Mark-up accrued on government securities | | - | - |
| Dividend receivable | | 7,765 | 29,249 |
| | | <u>40,908</u> | <u>56,542</u> |
| 7 | RECEIVABLE AGAINST TRANSFER OF UNITS | | |
| This represented amounts receivable from other collective investment schemes being managed by the Management Company of the Fund. These amounts are received during the year in respect of units issued to various unit holders based on their request for transfer of units from other collective investment schemes to the Fund. These amounts have been received from respective collective investment schemes to the Fund. | | | |
| 8 | DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | |
| Security deposits with: | | | |
| - National Clearing Company of Pakistan Limited | | 2,500 | 2,500 |
| - Central Depository Company of Pakistan Limited | | 100 | 100 |
| Advance tax | | 2,714 | 1,331 |
| Prepayments | | - | 30 |
| | | <u>5,314</u> | <u>3,961</u> |
| 9 | PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY | | |
| Remuneration of the Management Company | 9.1 | 19,328 | 24,768 |
| Sindh Sales Tax on remuneration of the Management Company | 9.2 | 2,510 | 3,217 |
| Operational expenses | 9.3 | 6,152 | 10,235 |
| Selling and marketing expenses | 9.4 | 24,608 | 19,137 |
| Sales load | | 6,199 | 32,020 |
| Sindh Sales Tax and Federal Excise Duty on sales load | | 20,147 | 23,503 |
| | | <u>78,944</u> | <u>112,880</u> |

NAFA ISLAMIC ASSET ALLOCATION FUND

- 9.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets provided that Management Company may charge performance based or fixed fee or a combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

On November 25, 2015, SECP had made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations, the applicable rate has been changed to 2% of average annual net assets.

Accordingly, Management Company has charged its remuneration at the rate of 2% of the average annual net assets of the Fund from that date.

- 9.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2017: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 9.3** This represents reimbursement of certain expenses to the Management Company. As per Regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount to the Fund.
- 9.4** This represents selling and marketing expenses charged by the Management Company to the Fund. During the year, the SECP through Circular No. 40 of 2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to certain collective investment schemes managed by them. Pursuant to the circular, AMCs are allowed to charge selling and marketing expenses initially for three years (effective from January 01, 2017 till December 31, 2019) on open end equity, asset allocation, and index funds maximum up to 0.4% of the average annual net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% per annum of the average annual net assets of the Fund with effect from March 01, 2017, being the lower amount.

| | Note | 2018 Rupees in '000 | 2017 |
|---|------|------------------------|-------|
| 10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Remuneration of the Trustee | 10.1 | 1,046 | 1,365 |
| Sindh Sales Tax on remuneration of the Trustee | 10.2 | 132 | 168 |
| | | 1,178 | 1,533 |

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

Tariff structure applicable to the Fund as at June 30, 2018 is as follows:

| Net asset value | Tariff per annum |
|--|---|
| Upto Rs. 1,000 million | Rs. 0.7 million or 0.20% per annum of net assets, whichever is higher |
| On an amount exceeding Rs. 1,000 million | Rs. 2.0 million plus 0.10% per annum of net assets exceeding Rs. 1,000 million. |

- 10.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2017: 13%) on the remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

NAFA ISLAMIC ASSET ALLOCATION FUND

11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 11.1** Under the provisions of the NBFC Regulations, a collective investment scheme categorized as "asset allocation scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095% of the average annual net assets of the Fund. The fee is paid annually in arrears.

12 PAYABLE AGAINST TRANSFER OF UNITS

This represented amounts payable to other collective investment schemes being managed by the Management Company of the Fund. These amounts are paid during the year in respect of units redeemed by various unit holders based on their request for transfer of units from the Fund to the other collective investment schemes.

| | Note | 2018 Rupees in '000 | 2017 |
|---|-------------|------------------------|----------------|
| 13 ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration | | 435 | 402 |
| Provision for Sindh Workers' Welfare Fund | 18 | 60,862 | 60,862 |
| Federal Excise Duty on remuneration of the Management Company | 13.1 & 13.2 | 18,406 | 18,406 |
| Brokerage charges | | 545 | 264 |
| Bank charges | | 136 | 86 |
| Settlement charges | | 141 | 99 |
| Printing charges | | 43 | 98 |
| Charity | 13.3 | 10,848 | 5,916 |
| Withholding tax | | 101 | 130,800 |
| Capital gain tax | | 1,982 | 15,536 |
| Others | | 1,020 | 764 |
| | | 94,519 | 233,233 |

- 13.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, being prudent, is carrying provision for FED aggregating to Rs. 18.406 million as at June 30, 2018. Had the provision not been made, the net asset value per unit as at June 30, 2018 would have been higher by Rs.0.0248 per unit (2017: Rs.0.0213 per unit).

- 13.2** The amount of FED accrued on remuneration of the Management Company will be paid via Management Company to the Taxation authority, if required.
- 13.3** According to the instruction of the shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 10.848 million (2017: Rs 5.916 million) is outstanding in this regard after making charity payments of Rs. 2.25 million (2017: Rs. 1.39 million) to charitable institutions

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

NAFA ISLAMIC ASSET ALLOCATION FUND

| | 2018 | 2017 |
|---|---------------------------|---------------|
| | -----Number of units----- | |
| 15 NUMBER OF UNITS IN ISSUE | | |
| Total units in issue at the beginning of the year | 864,317,639 | 348,584,676 |
| Add: units issued during the year | 405,414,041 | 1,194,816,054 |
| Less: units redeemed during the year | (528,257,855) | (679,083,091) |
| Total units in issue at the end of the year | 741,473,825 | 864,317,639 |

16 NET ASSET VALUE PER UNIT

The net asset value per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

| | 2018 | 2017 |
|----------------------------------|--------------------------|------|
| | -----Rupees in '000----- | |
| 17 AUDITORS' REMUNERATION | | |
| Annual audit fee | 330 | 330 |
| Half yearly review fee | 132 | 132 |
| Out of pocket expenses | 96 | 84 |
| | 558 | 546 |

18 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs. 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 60.862 million (2017: Rs. 60.862 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.0821 (June 30, 2017: Rs. 0.0704) per unit.

19 TAXATION

The Fund's income is exempt from income tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). There is a loss of Rs. 1,324 million in the current year, therefore, distribution is not required to be made in the current year.

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

NAFA ISLAMIC ASSET ALLOCATION FUND

20. 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.

21. DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

The Securities and Exchange Commission of Pakistan vide its Circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

| Names of non-compliant investment | Non-compliance of clause | Type of Investment | Value of investment before provision | Provision held | Value of investment after provision | % of net assets | % of gross assets |
|-----------------------------------|--|--------------------|--------------------------------------|----------------|-------------------------------------|-----------------|-------------------|
| Eden Housing Limited | Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular no. 7 of 2009 | Sukuks (5.5) | 4,922 | (4,922) | - | - | - |

- 21.1** At the time of purchase, these sukuks were in compliance with the aforementioned circular. However, they were subsequently defaulted or were downgraded to non investment grade.

22. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset for the year) is 3.06% per annum including 0.37% representing government levies on Collective Investment Schemes such as sales tax, provision for Sindh Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the year.

23. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

- 23.1** Connected persons and related parties include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Alexandra Fund Management Pte. Limited being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

- 23.2** The transactions with connected persons and related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.

- 23.3** Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

- 23.4** Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA ISLAMIC ASSET ALLOCATION FUND

| | 2018 | 2017 |
|--|----------------------------|---------|
| | ----- Rupees in '000 ----- | |
| 23.5 Details of transactions with connected persons and related parties are as follows: | | |
| NBP Fund Management Limited - Management Company | | |
| Remuneration of the Management Company | 260,529 | 204,699 |
| Sindh Sales Tax on remuneration of the Management Company | 33,869 | 26,611 |
| Reimbursement of operational expenses to the Management Company | 13,026 | 10,235 |
| Sales load | 25,821 | 182,314 |
| Sindh Sales Tax and Federal Excise Duty on sales load | 3,356 | 26,811 |
| Selling and marketing expenses | 52,106 | 19,137 |
| Units issued / transferred in Nil units (2017: 6,329,266 units) | - | 120,000 |
| Units redeemed / transferred out Nil units (2017: 6,329,266 units) | - | 115,945 |
| Central Depository Company of Pakistan Limited (Trustee) | | |
| Remuneration of the Trustee | 14,026 | 11,235 |
| Sindh Sales Tax on remuneration of the Trustee | 1,823 | 1,461 |
| CDS charges | 280 | 183 |
| Employees of the Management Company | | |
| Units issued / transferred in 250,341 units (2017: 752,505 units) | 4,153 | 13,438 |
| Units redeemed / transferred out 620,150 units (2017: 896,516 units) | 9,919 | 16,063 |
| Dividend re-invest 2,508 units (2017: 39,087 units) | 40 | 661 |
| Taurus Securities Limited (Subsidiary of Parent of the Management Company) | | |
| Brokerage charges | 379 | 316 |
| BankIslami Pakistan Limited (Common directorship with the Management Company) | | |
| Mark-up on bank balances | 123,581 | 96,709 |
| International Industries Limited (Common directorship with the Management Company) | | |
| Shares purchased 12,000 (2017: 125,900) | 3,910 | 32,358 |
| Dividend income | 552 | 519 |
| International Steel Limited (Common directorship with the Management Company) | | |
| Shares purchased 1,209,800 (2017: 1,141,500) | 139,721 | 144,216 |
| Shares sold 1,386,000 (2017: Nil) | 145,500 | - |
| Dividend income | 2,603 | 2,854 |
| Cherat Cement Company Limited (Common directorship with the Management Company) | | |
| Shares purchased 958,500 (2017: 566,200) | 152,604 | 106,487 |
| Shares sold 695,500 (2017: Nil) | 87,389 | - |
| Dividend income | 6,320 | - |
| Askari Bank Limited (Common directorship with the Management Company) | | |
| Mark-up on bank balances | 389 | 325 |
| Chief Financial Officer of the Management Company | | |
| Units issued / transferred in Nil units (2017: 54,049 units) | - | 913 |
| Units redeemed / transferred out Nil units (2017: 54,049 units) | - | 1,032 |

NAFA ISLAMIC ASSET ALLOCATION FUND

| | 2018 | 2017 |
|--|----------------------------|---------|
| | ----- Rupees in '000 ----- | |
| NAFA Islamic Principal Preservation Fund (CIS managed by the Management Company) | | |
| Units issued / transferred in 1,219,223 unit (2017: 18,675,429 units) | 19,357 | 315,417 |
| Units redeemed / transferred out 3,734,088 units (2017: 24,043,880 units) | 59,323 | 431,021 |
| * Aamir Sattar (Director of the Management Company) | | |
| Units issued / transferred in Nil units (2017: 47,031 units) | - | 800 |
| Dividend re-invest Nil units (2017: 19,093 units) | - | 323 |
| National Fullerton Asset Management Limited Employees Provident Fund (Provident Fund of Management Company) | | |
| Units issued / transferred In 433,896 units (2017: 1,016,864) | 6,664 | 19,106 |
| Units redeemed / transferred out Nil units (2017: 1,016,864) | - | 19,070 |
| Gul Ahmed Textile Mills Limited Employees Provident Fund Trust (Portfolio managed by Management Company) | | |
| Units issued / transferred In Nil units (2017: 3,482,658 units) | - | 65,415 |
| Units redeemed / transferred out Nil units (2017: 3,482,658 units) | - | 59,694 |
| Telenor Pakistan (Private) Limited Employees Provident Fund (Islamic) (Portfolio managed by Management Company) | | |
| Units issued / transferred in 622,136 units (2017: 4,673,770 units) | 10,114 | 83,763 |
| Units redeemed / transferred out 3,066,081 units (2017: 2,229,825 units) | 49,814 | 40,848 |
| * Current year transactions with these parties have not been disclosed as they did not remain connected persons and related parties during the year. | | |

June 30, June 30,
2018 2017
----- Rupees in '000 -----

23.6 Details of amounts outstanding as at year end with connected persons are as follows :

| | | |
|---|---------------|--------|
| NBP Fund Management Limited - Management Company | | |
| Remuneration of the Management Company | 19,328 | 24,768 |
| Sindh Sales Tax on remuneration of the Management Company | 2,510 | 3,217 |
| Operational expenses | 6,152 | 10,235 |
| Sales load | 6,199 | 32,020 |
| Sindh Sales Tax and Federal Excise Duty on sales load | 20,147 | 23,503 |
| Selling and Marketing Expenses | 24,608 | 19,137 |
| Central Depository Company of Pakistan Limited (Trustee) | | |
| Remuneration of the Trustee | 1,046 | 1,365 |
| Sindh Sales Tax on remuneration of the Trustee | 132 | 168 |
| CDS charges | 66 | 44 |
| Security deposit | 100 | 100 |

NAFA ISLAMIC ASSET ALLOCATION FUND

| | June 30, 2018 | June 30, 2017 |
|--|----------------------------|------------------|
| | ----- Rupees in '000 ----- | |
| National Bank of Pakistan (Parent of the Management Company) | | |
| Bank balances | 6,579 | 3,274 |
| International Industries Limited (Common directorship with the Management Company) | | |
| Ordinary shares held 137,900 shares (2017: 125,900 shares) | 32,033 | 46,403 |
| Dividend receivable | - | 434 |
| International Steel Limited (Common directorship with the Management Company) | | |
| Ordinary shares held 965,3000 shares (2017: 1,141,500 shares) | 98,171 | 145,986 |
| Dividend receivable | - | 2,854 |
| Bank Islami Pakistan Limited (Common directorship with the Management Company) | | |
| Bank balances | 1,141,367 | 2,521,661 |
| Mark-up accrued | 13,138 | 11,675 |
| Cherat Cement Company Limited (Common directorship with the Management Company) | | |
| Ordinary shares held 829,900 shares (2017: 566,200 shares) | 80,623 | 101,225 |
| Askari Bank Limited (Common directorship with the Management Company) | | |
| Bank balance | 1,277 | 4,484 |
| Summit Bank Limited (Common directorship with the Management Company) | | |
| Bank balances | 12,559 | 13,073 |
| * Aamir Sattar (Director of the Management Company) | | |
| Investment held in the Fund Nil units (2017: 238,335 units) | - | 4,071 |
| Employees of the Management Company | | |
| Investment held in the Fund 141,295 units (2017: 605,610 units) | 2,192 | 8,688 |
| CDC Trustee NAFA Islamic Principal Preservation Fund (CIS managed by Management Company) | | |
| Investment held in the Fund Nil units (2017: 2,514,865 units) | - | 42,959 |
| National Fullerton Asset Management Limited Employees Provident Fund (Provident Fund of Management Company) | | |
| Investment held in the Fund 433,896 units (2017: Nil untis) | 6,731 | - |
| Telenor Pakistan (Private) Limited Employees Provident Fund (Islamic) (Portfolio managed by Management Company) | | |
| Investment held in the Fund Nil units (2017: 2,443,945 untis) | - | 41,747 |
| Net amount receivable / (payable) against transfer of units from / to: | | |
| NAFA Riba Free Savings Fund | - | (75) |
| NAFA Islamic Energy Fund | - | 515 |
| NAFA Income Opportunity Fund | - | (1,440) |
| NAFA Money Market Fund | - | 4,346 |
| NAFA Islamic Income Fund | - | (215) |
| NAFA Financial Sector Income Fund | - | (325) |

* Current year balances with these parties have not been disclosed as they did not remain connected persons and related parties as at year end.

NAFA ISLAMIC ASSET ALLOCATION FUND

24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| S. No | Name | Qualification | Experience in years |
|-------|-------------------------|---|---------------------|
| 1 | Dr. Amjad Waheed | Doctorate in Business Administration, MBA and CFA | 30 |
| 2 | Mr. Sajjad Anwar | MBA and CFA | 18 |
| 3 | Mr. Muhammad Ali Bhabha | CFA, FRM, MBA and MS(CS) | 23 |
| 4 | Mr. Hassan Raza | ACCA, BSC and CFA | 7 |
| 5 | Mr. Taha Khan Jawed | MBA and CFA | 12 |

24.1 Mr. Taha Khan Jawed is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NAFA Asset Allocation Fund
- NAFA Islamic Energy Fund
- NAFA Stock Fund
- NAFA Multi Asset Fund
- NAFA Islamic Active Allocation Equity Fund
- NAFA Financial Sector Fund

25 TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission charged during the year ended June 30, 2018

| S.No | Broker name | Percentage |
|------|--|------------|
| 1 | Taurus Securities Limited | 6.54 |
| 2 | Arif Habib Securities Limited | 6.24 |
| 3 | EFG Hermes Pakistan Limited (formerly Invest & Finance Securities Limited) | 4.93 |
| 4 | Alfalah Securities (Private) Limited | 4.30 |
| 5 | Topline Securities (Private) Limited | 4.01 |
| 6 | Aqeel Karim Dehdi Securities (Private) Limited | 3.88 |
| 7 | Fortune Securities | 3.79 |
| 8 | Optimus Capital Management Limited | 3.69 |
| 9 | J.S. Global Capital Limited | 3.50 |
| 10 | Next Capital Limited | 3.47 |

List of top ten brokers by percentage of commission charged during the year ended June 30, 2017

| S.No | Broker name | Percentage |
|------|--|------------|
| 1 | Taurus Securities Limited | 7.33 |
| 2 | BMA Capital Management Limited | 6.46 |
| 3 | Alfalah Securities (Private) Limited | 5.85 |
| 4 | Pearl Securities (Private) Limited | 4.74 |
| 5 | EFG Hermes Pakistan Limited (formerly Invest & Finance Securities Limited) | 4.60 |
| 6 | Fortune Securities | 4.57 |
| 7 | Arif Habib Securities Limited | 4.47 |
| 8 | Al Habib Capital Markets (Private) Limited | 4.12 |
| 9 | Elixir Securities Pakistan (Private) Limited | 3.85 |
| 10 | Foundation Securities (Private) Limited | 3.77 |

NAFA ISLAMIC ASSET ALLOCATION FUND

26 PATTERN OF UNIT HOLDING

| As at June 30, 2018 | | | |
|--------------------------|------------------------|--|--------------------------|
| Category | Number of unit holders | Net asset value of the amount invested | Percentage of investment |
| Rupees in '000 | | | |
| Individuals | 10,978 | 7,607,973 | 66.14 |
| Insurance companies | 5 | 114,580 | 1.00 |
| Associated company | 1 | 6,731 | 0.06 |
| Retirement funds | 135 | 2,454,794 | 21.34 |
| Public limited companies | 2 | 291,282 | 2.53 |
| Others | 120 | 1,026,989 | 8.93 |
| | 11,241 | 11,502,349 | 100 |
| As at June 30, 2017 | | | |
| Category | Number of unit holders | Net asset value of the amount invested | Percentage of investment |
| Rupees in '000 | | | |
| Individuals | 9,499 | 9,379,717 | 63.53 |
| Insurance companies | 5 | 275,703 | 1.87 |
| Directors | 1 | 4,071 | 0.03 |
| Retirement funds | 129 | 2,654,801 | 17.98 |
| Public limited companies | 2 | 322,350 | 2.18 |
| Others | 129 | 2,127,591 | 14.41 |
| | 9,765 | 14,764,233 | 100 |

27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 64th, 65th, 66th, 67th Board meetings were held on September 15, 2017, October 27, 2017, February 22, 2018, April 30, 2018, respectively. Information in respect of attendance by directors in the meetings is given below:

| Name of the Director | | Number of meetings | | | Meetings not attended |
|-----------------------------------|------|--------------------|----------|---------------|-----------------------|
| | | Held | Attended | Leave granted | |
| Mr. Mudassir H.Khan | 27.1 | 4 | 4 | - | 67th Meeting |
| Mr. Tariq Jamali | 27.1 | 4 | 3 | 1 | |
| Mr. Abdul Hadi Palekar | | 4 | 4 | - | |
| Mr. Lui Mang Yin (Martin Lui) | 27.2 | 2* | 2 | - | 65th Meeting |
| Mr. FOO Chiah Shiung (Kelvin Foo) | | 4 | 3 | 1 | |
| Mr. Kamal Amir Chinoy | | 4 | 4 | - | |
| Mr. Shehryar Faruque | | 4 | 4 | - | |
| Mr. Humayun Bashir | | 4 | 4 | - | |
| Dr. Amjad Waheed | | 4 | 4 | - | |
| Mr. Wajahat Rasul Khan | 27.3 | -* | - | - | |

27.1 Mr. Tariq Jamali and Mr. Mudassir H.Khan were appointed as directors on Board with effect from August 18, 2017

27.2 Mr. Lui Mang Yin (Martin Lui) resigned as director on the Board with effect from December 21, 2017.

27.3 Mr. Wajahat Rasul Khan appointed as director on the Board with effect from April 30, 2018.

* These directors were appointed and retired/resigned during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

NAFA ISLAMIC ASSET ALLOCATION FUND

28

FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

| | | | | |
|---|-----------|-----------|---|------------|
| Bank balances | 6,412,181 | - | - | 6,412,181 |
| Investments | - | 5,230,962 | - | 5,230,962 |
| Mark-up accrued and dividend receivable | 40,908 | - | - | 40,908 |
| Receivable against sale of investments | - | - | - | - |
| Receivable against transfer of units | - | - | - | - |
| Deposits | 2,600 | - | - | 2,600 |
| | 6,455,689 | 5,230,962 | - | 11,686,651 |

Financial Liabilities

| | | | |
|---|---|------------|------------|
| Payable to the Management Company | - | 78,944 | 78,944 |
| Payable to the Trustee | - | 1,178 | 1,178 |
| Payable against redemption of units | - | - | - |
| Payable against transfer of units | - | - | - |
| Payable against purchase of investments | - | - | - |
| Dividend payable | - | - | - |
| Accrued expenses and other liabilities | - | 13,168 | 13,168 |
| Net assets attributable to redeemable units | - | 11,502,349 | 11,502,349 |
| | - | 11,595,639 | 11,595,639 |

Financial Assets

| | | | | |
|---|-----------|-----------|-------|------------|
| Bank balances | 6,044,017 | - | - | 6,044,017 |
| Investments | - | 9,047,063 | - | 9,047,063 |
| Mark-up accrued and dividend receivable | 56,542 | - | - | 56,542 |
| Receivable against transfer of units | 4,861 | - | - | 4,861 |
| Deposits | 2,600 | - | - | 2,600 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 6,108,020 | 9,047,063 | - | 15,155,083 |

NAFA ISLAMIC ASSET ALLOCATION FUND

| | As at June 30, 2017 | | |
|---|---|----------------------|------------|
| | At fair value through profit or loss | At amortised cost | Total |
| | -----Rupees in '000----- | | |
| Financial Liabilities | | | |
| Payable to the Management Company | - | 112,880 | 112,880 |
| Payable to the Trustee | - | 1,533 | 1,533 |
| Payable against redemption of units | - | 7,412 | 7,412 |
| Payable against transfer of units | - | 2,055 | 2,055 |
| Payable against purchase of investments | - | 2,027 | 2,027 |
| Dividend payable | - | 22,790 | 22,790 |
| Accrued expenses and other liabilities | - | 26,035 | 26,035 |
| Net assets attributable to redeemable units | - | 14,764,233 | 14,764,233 |
| | - | 14,938,965 | 14,938,965 |

29 FINANCIAL RISK MANAGEMENT

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

29.1 Market risk

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

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

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

29.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result 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 Pakistani Rupees.

29.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2018, the Fund holds balance in saving accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in bank profit rates as on June 30, 2018, the net assets of the Fund would have been higher / lower by approximately Rs. 63.711 million. (2017: Rs. 57.833 million)

b) Sensitivity analysis for fixed rate instruments

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

NAFA ISLAMIC ASSET ALLOCATION FUND

Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

| As at June 30, 2018 | | | | | |
|---|----------------|---------------------------------------|--|--------------------|---|
| Yield / Interest rate | Total | Exposed to yield / interest rate risk | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | |
| % | Rupees in '000 | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Bank balances | 2.40 - 7.50 | 6,412,181 | 6,371,125 | - | 41,056 |
| Investments | | 5,230,962 | - | - | 5,230,962 |
| Mark-up accrued and dividend receivable | | 40,908 | - | - | 40,908 |
| Receivable against transfer of units | | - | - | - | - |
| Deposits | | 2,600 | - | - | 2,600 |
| | | 11,686,651 | 6,371,125 | - | 5,315,526 |
| Financial liabilities | | | | | |
| Payable to the Management Company | | 78,944 | - | - | 78,944 |
| Payable to the Trustee | | 1,178 | - | - | 1,178 |
| Payable against redemption of units | | - | - | - | - |
| Payable against transfer of units | | - | - | - | - |
| Payable against purchase of investments | | - | - | - | - |
| Dividend payable | | - | - | - | - |
| Accrued expenses and other liabilities | | 13,168 | - | - | 13,168 |
| Net assets attributable to redeemable units | | 11,502,349 | - | - | 11,502,349 |
| | | 11,595,639 | - | - | 11,595,639 |
| On-balance sheet gap | | 91,012 | 6,371,125 | - | (6,280,113) |
| Off-balance sheet financial instruments | | | | | |
| | | - | - | - | - |
| Off-balance sheet gap | | | | | |
| | | - | - | - | - |

| As at June 30, 2017 | | | | | |
|---|----------------|---------------------------------------|--|--------------------|---|
| Yield / Interest rate | Total | Exposed to yield / interest rate risk | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | |
| % | Rupees in '000 | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Bank balances | 2.40 - 6.75 | 6,044,017 | 5,783,337 | - | 260,680 |
| Investments | | 9,047,063 | - | - | 9,047,063 |
| Mark-up accrued and dividend receivable | | 56,542 | - | - | 56,542 |
| Receivable against transfer of units | | 4,861 | - | - | 4,861 |
| Deposits | | 2,600 | - | - | 2,600 |
| | | 15,155,083 | 5,783,337 | - | 9,371,746 |
| Financial liabilities | | | | | |
| Payable to the Management Company | | 112,880 | - | - | 112,880 |
| Payable to the Trustee | | 1,533 | - | - | 1,533 |
| Payable against redemption of units | | 7,412 | - | - | 7,412 |
| Payable against transfer of units | | 2,055 | - | - | 2,055 |
| Payable against purchase of investments | | 2,027 | - | - | 2,027 |
| Dividend payable | | 22,790 | - | - | 22,790 |
| Accrued expenses and other liabilities | | 26,035 | - | - | 26,035 |
| Net assets attributable to redeemable units | | 14,764,233 | - | - | 14,764,233 |
| | | 14,938,965 | - | - | 14,938,965 |
| On-balance sheet gap | | 216,118 | 5,783,337 | - | (5,567,219) |
| Off-balance sheet financial instruments | | | | | |
| | | - | - | - | - |
| Off-balance sheet gap | | | | | |
| | | - | - | - | - |

NAFA ISLAMIC ASSET ALLOCATION FUND

29.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of the investments held by the Fund and classified in the 'statement of assets and liabilities' as financial asset 'at fair value through profit or loss - held for trading'. The Fund manages price risk by limiting individual equity securities to not more than ten percent of net assets attributable to holders of the Fund's assets. Moreover, the sector limits have also been restricted to twenty five percent. The equity investments are listed in the Pakistan Stock Exchange Limited. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed on a regular basis by the investment committee as well as the Board of Directors.

In case of 5% increase / decrease in fair value on June 30, 2018, the net income for the year would increase / decrease by Rs. 261.548 million (2017: Rs. 452.353 million) and net assets of the Fund would increase / decrease by the same amount. The sensitivity analysis is based on the Fund's equity security as at the statements of assets and liabilities date with all other variables held constant.

29.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. Credit risk arises from balances with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and accrued mark-up on bank balances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. Credit risk also arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The settlement risk of default on equity securities is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The Fund's significant credit risk arises mainly on account of its placements with banks. The credit rating profile of balances with banks is as follow:

| Bank balances by rating category | 2018 |
|----------------------------------|--------|
| AAA | 52.80% |
| AA+ | 6.72% |
| AA | 0.01% |
| AA- | 19.27% |
| A+ | 17.80% |
| A | 0.04% |
| A- | 3.36% |

Sukuks by rating category

| | |
|----------------|------|
| Non-performing | 100% |
|----------------|------|

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is as follows:

| | June 30, 2018 | | June 30, 2017 | |
|---|----------------------------|------------------|----------------------------|------------------|
| | Amount of financial assets | Maximum Exposure | Amount of financial assets | Maximum Exposure |
| Bank balances | 6,412,181 | 6,412,181 | 6,044,017 | 6,044,017 |
| Investments | 5,230,962 | 5,230,962 | 9,047,063 | 9,047,063 |
| Mark-up accrued and dividend receivable | 40,908 | 40,908 | 56,542 | 56,542 |
| Receivable against sale of investment | - | - | - | - |
| Receivable against transfer of investment | - | - | 4,861 | 4,861 |
| Deposits | 2,600 | 2,600 | 2,600 | 2,600 |
| | 11,686,651 | 11,686,651 | 15,155,083 | 15,155,083 |

NAFA ISLAMIC ASSET ALLOCATION FUND

Concentration of credit risk

The Fund mainly deals in equity securities which are primarily subject to price risk. The concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

29.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to settlement of equity securities and 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.

For the purpose of making redemptions, 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. However, no borrowing was obtained by the Fund during the current year.

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

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

| As at June 30, 2018 | | | | |
|---|----------------------------|----------------------|--|------------------|
| | Total | Upto three months | Over three months and upto one year | Over one year |
| Financial liabilities | ----- Rupees in '000 ----- | | | |
| Payable to the Management Company | 78,944 | 78,944 | - | - |
| Payable to the Trustee | 1,178 | 1,178 | - | - |
| Payable against redemption of units | - | - | - | - |
| Payable against transfer of units | - | - | - | - |
| Payable against purchase of investments | - | - | - | - |
| Dividend payable | - | - | - | - |
| Accrued expenses and other liabilities | 13,168 | 13,168 | - | - |
| Net assets attributable to redeemable units | 11,502,349 | 11,502,349 | - | - |
| | 11,595,639 | 11,595,639 | - | - |

NAFA ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2017

| | Total | Upto three months | Over three months and upto one year | Over one year |
|---|----------------|----------------------|--|------------------|
| Financial liabilities | Rupees in '000 | | | |
| Payable to the Management Company | 112,880 | 112,880 | - | - |
| Payable to the Trustee | 1,533 | 1,533 | - | - |
| Payable against redemption of units | 7,412 | 7,412 | - | - |
| Payable against transfer of units | 2,055 | 2,055 | - | - |
| Payable against purchase of investments | 2,027 | 2,027 | - | - |
| Dividend payable | 22,790 | 22,790 | - | - |
| Accrued expenses and other liabilities | 26,035 | 26,035 | - | - |
| Net assets attributable to redeemable units | 14,764,233 | 14,764,233 | - | - |
| | 14,938,965 | 14,938,965 | - | - |

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** 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 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

| | As at June 30, 2018 | | | |
|--|---------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in '000) | | | |

ASSETS

At fair value through profit or loss - held for trading

| | | | | |
|--------------------------|-----------|---|---|-----------|
| Listed equity securities | 5,230,962 | - | - | 5,230,962 |
|--------------------------|-----------|---|---|-----------|

| | As at June 30, 2017 | | | |
|--|---------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in '000) | | | |

ASSETS

At fair value through profit or loss - held for trading

| | | | | |
|--------------------------|-----------|---|---|-----------|
| Listed equity securities | 9,047,063 | - | - | 9,047,063 |
|--------------------------|-----------|---|---|-----------|

There were no transfers between above levels during the year.

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.

NAFA ISLAMIC ASSET ALLOCATION FUND

The Fund has not disclosed the fair values for other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

31 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the issuance and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 29, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 05, 2018.

33 GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees.

33.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

PERFORMANCE TABLE

| Particulars | For the year ended June 30, 2018 | For the year ended June 30, 2017 | For the year ended June 30, 2016 | For the year ended June 30, 2015 | For the year ended June 30, 2014 | For the year ended June 30, 2013 |
|--|--|--|--|--|--|--|
| Net assets at the year / period ended (Rs '000) | 11,502,349 | 14,764,233 | 5,435,118 | 2,563,446 | 556,964 | 433,002 |
| Net income for the year / period ended (Rs '000) | (1,323,940) | 2,345,440 | 469,447 | 446,075 | 91,957 | 105,069 |
| Net Asset Value per unit at the year / period ended (Rs) | 15.5128 | 17.0820 | 15.5920 | 15.9909 | 13.0012 | 13.5881 |
| Offer price per unit | 16.0387 | 17.6611 | 16.2106 | 16.6309 | 13.5260 | 13.9957 |
| Redemption price per unit | 15.5128 | 17.0820 | 15.5920 | 15.9909 | 13.0012 | 13.5881 |
| Ex - Highest offer price per unit (Rs.) | 17.8306 | 20.9116 | 16.3383 | 15.7930 | 13.5260 | 14.2075 |
| Ex - Lowest offer price per unit (Rs.) | 15.2740 | 16.3405 | 14.0590 | 11.4213 | 12.3956 | 10.3630 |
| Ex - Highest redemption price per unit (Rs.) | 17.2460 | 18.3107 | 15.7148 | 15.1854 | 13.0012 | 13.7937 |
| Ex - Lowest redemption price per unit (Rs.) | 14.7732 | 14.2000 | 13.5225 | 11.3515 | 11.9146 | 10.0612 |
| Opening Nav of Fiscal Year | 16.9827 | 14.1982 | 13.7862 | 11.3515 | 10.6366 | 9.9687 |
| Total return of the fund | -8.66% | 20.31% | 13.10% | 33.77% | 22.23% | 36.31% |
| - capital growth | -8.66% | 8.78% | 2.95% | 14.25% | 7.73% | 14.85% |
| - income distribution as a % of ex nav | - | 11.53% | 10.15% | 19.52% | 14.50% | 21.46% |
| - income distribution as a % of par value | - | 16.38% | 15.38% | 22.16% | 15.42% | 21.39% |
| Distribution | | | | | | |
| Interim distribution per unit (Rs) | - | 1.6376 | - | 1.3794 | 1.5419 | 0.4124 |
| Final distribution per unit (Rs) | - | 0.0937 | 1.5380 | 0.8365 | - | 1.7269 |
| Distribution Dates | | | | | | |
| Interim | | 21-Jun-17 | | - | 13-Feb-14 | 26-Feb-13 |
| | | | | - | 30-Apr-14 | 26-Apr-13 |
| | | | | 29-Jun-15 | 26-Jun-14 | |
| Final | | 15-Sep-17 | 29-Jun-16 | 14-Jul-15 | - | 11-Jul-13 |
| Average annual return of the fund (launch date October 29, 2007) | | | | | | |
| (Since inception to June 30, 2018) | 14.01% | | | | | |
| (Since inception to June 30, 2017) | | 16.65% | | | | |
| (Since inception to June 30, 2016) | | | 16.23% | | | |
| (Since inception to June 30, 2015) | | | | 16.70% | | |
| (Since inception to June 30, 2014) | | | | | 14.29% | |
| (Since inception to June 30, 2013) | | | | | | 12.95% |
| (Since inception to June 30, 2012) | | | | | | |
| (Since inception to June 30, 2011) | | | | | | |
| (Since inception to June 30, 2010) | | | | | | |
| Portfolio Composition (Please see Fund Manager Report) | | | | | | |

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

NAFA ISLAMIC ASSET ALLOCATION FUND

PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Islamic Asset Allocation Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. www.nbpfund.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

| NAFA ISLAMIC ASSET ALLOCATION FUND | | | | |
|------------------------------------|-------------|-----|---------|----------|
| | Resolutions | For | Against | Abstain* |








| | | | | |
|--------|------|------|-----|-----|
| Number | 6 | 6 | Nil | N/A |
| (%) | 100% | 100% | - | - |



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