



NBP FUNDS

Managing Your Savings

Islamic Savings

Aitemaad اعتماد



اسلامک سیونگز

NAFA ISLAMIC MONEY MARKET 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 MONEY MARKET 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

Habib Metropolitan Bank Limited
MCB Bank Limited
Habib Bank Limited
Bank Al Habib Limited
Allied Bank Limited
United Bank Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited

NAFA ISLAMIC MONEY MARKET FUND

Auditors

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

Legal Advisor

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

Head Office:

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

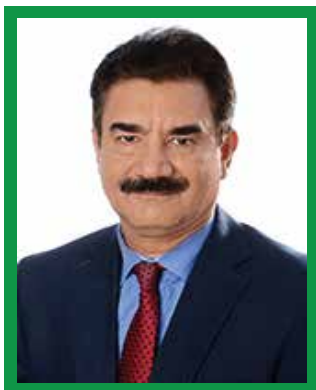
NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA ISLAMIC MONEY MARKET 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 MONEY MARKET FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the First Annual Report of **NAFA Islamic Money Market Fund (NIMMF)** for the year ended June 30, 2018.

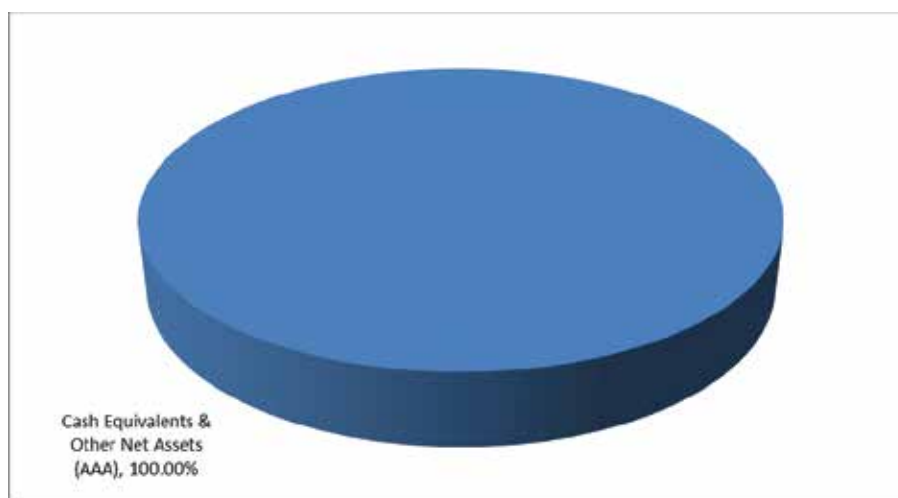
Fund's Performance

The size of NAFA Islamic Money Market Fund is Rs. 1,519 million as at June 30, 2018. The Fund has earned an annualized return of 4.5% since its inception (February 28, 2018) as compared to its benchmark return of 2.6 % for the same period. The performance of the Fund is net of management fee and other expenses.

NIMMF is categorized as a Shariah Compliant Money Market Fund. The Fund aims to consistently provide better return than the profit rates offered by Islamic Banks/Islamic windows of commercial banks. Minimum eligible rating is AA, while the Fund is not allowed to invest in any security exceeding six months maturity. The weighted average time to maturity of the Fund cannot exceed 90 days while also providing easy liquidity along with a high quality credit profile.

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.

The Fund has earned a total income of Rs. 33.95 million during the year. After deducting total expenses of Rs. 9.29 million, the net income is Rs. 24.66 million. The asset allocation of NAFA Islamic Money Market Fund as on June 30, 2018 is as follows:



Income Distribution

The Management Company has approved cash dividend of 1.52% of opening ex-NAV (1.52% of the par value) subsequent to the year end.

Taxation

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

Auditors

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

NAFA ISLAMIC MONEY MARKET FUND

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 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
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:

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 MONEY MARKET FUND

ڈائریکٹرز رپورٹ

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

فنڈ کی کارکردگی

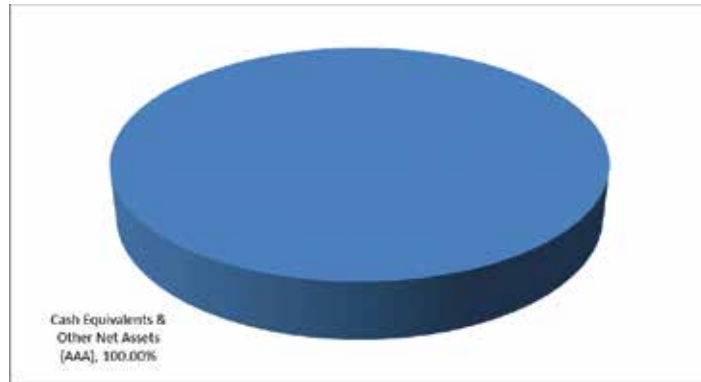
NAFA اسلامک منی مارکیٹ فنڈ کا سائز 30 جون 2018 کو 1,519 ملین روپے ہے۔ اسی مدت کے لیے اپنے قیام سے (28 فروری 2018) کے 2.6% کے بچ مارک منافع کے مقابلے میں فنڈ نے 4.5% کا سالانہ منافع کمایا۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIMMF کی درجہ بندی ایک شریعہ کمپلائنس منی مارکیٹ فنڈ کے طور پر ہوئی۔ اس فنڈ کا مقصد اسلامک بینکس / کرسٹل بینکس کی اسلامک ونڈوز کی پیش کردہ منافع کی شرحوں کے مقابلے میں توازن سے بہتر منافع فراہم کرنا ہے۔ کم از کم قابل قبول ریٹنگ AA ہے، جب کہ فنڈ کو چھ ماہ سے زائد میچورٹی والی کسی سیکوریٹی میں انویسٹ کرنے کی اجازت نہیں ہے۔ فنڈ کی میچورٹی کی نئی تلی اوسط مدت 90 دن سے زائد نہیں ہو سکتی جبکہ فنڈ اعلیٰ معیار کے کریڈٹ پروفائل مہیا کرنے کے ساتھ ساتھ آسان لیکویڈیٹی فراہم کرتا ہے۔

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 ملین 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 اسپرڈ 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، 12 ماہ T-Bills کے منافع بالترتیب 79 bps، 90 bps اور 116 bps سے بڑھ گئے۔

NAFA اسلامک منی مارکیٹ فنڈ (NIMMF) نے اس سال کے دوران 33.95 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 9.29 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 24.66 ملین روپے رہی۔

NAFA اسلامک منی مارکیٹ فنڈ کی ایسیٹ ایلوکیشن 30 جون 2018 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منیجمنٹ کمپنی نے سال کے اختتام کے بعد اویگ ex-NAV کا 1.52% (بنیادی قدر کا 1.52%) نقد یوٹیلٹی کی منظوری دی ہے۔

ٹیکسیشن

درج بالا نقد منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپیٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سینڈ شیڈول کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز 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۔

NAFA ISLAMIC MONEY MARKET FUND

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز 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۔ شہریاتی تخمینے 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- انٹرنل کنٹرول کا نظام مستحکم اور موثر 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 22 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 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 مائنارٹی انٹرست نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

نام	کیٹگری
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 مدثر حسین خان (چیئرمین) 2- جناب طارق جمالی 3- جناب عبدالہادی بالیکر 4- جناب وجاہت رسول خان 5- ڈاکٹر فوشیہ شیونک (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 آرٹسٹ 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

بتاریخ

05 ستمبر 2018ء

مقام: کراچی

NAFA ISLAMIC MONEY MARKET 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 Money Market 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 period from February 23, 2018 to 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 MONEY MARKET FUND

FUND MANAGER REPORT

NAFA ISLAMIC MONEY MARKET FUND

NAFA Islamic Money Market Fund (NIMMF) is an Open-End Shariah Compliant Money Market Fund.

Investment Objective of the Fund

To provide competitive return with maximum possible capital preservation by investing in low risk and liquid Shariah Compliant authorized instruments.

Benchmark

Three months average deposit rates of three (3) AA rated Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP.

Fund Performance Review

This is the First Annual report since the launch of the Fund on February 28, 2018. The size of NAFA Islamic Money Market Fund is Rs. 1,519 million as at June 30, 2018. Since its inception, the Fund has earned an annualized return of 4.5% versus the benchmark return of 2.6 %, thus registering an outperformance of 1.9% p.a. This outperformance is net of management fee and other expenses.

NIMMF is an Islamic Money Market Scheme with no direct or indirect exposure to stock market. The Fund aims to consistently provide better return than the profit rates offered by Islamic Banks/Islamic windows of commercial banks. Minimum eligible rating is AA, while the Fund is not allowed to invest in any security exceeding six months maturity. The weighted average time to maturity of the Fund cannot exceed 90 days while also providing easy liquidity along with a high quality credit profile.

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. All Sukuks in the Fund are floating rate linked to KIBOR with three to 6-month coupon resetting period.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-18
Bank Deposits	99.66%
Other net assets	0.34%
Total	100.00%

NAFA ISLAMIC MONEY MARKET FUND

T-Bills yields during the year are shown in below graph:

Distribution for the Financial Year 2018

Distribution	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Final	1.52%	0.1518	10.0000

Unit Holding Pattern of NAFA ISLAMIC MONEY MARKET FUND as on 30th June 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	2
1001-5000	7
5001-10000	4
10001-50000	8
50001-100000	6
100001-500000	7
500001-1000000	0
1000001-5000000	0
5000001-10000000	0
10000001-100000000	0
100000001-1000000000	1
	35

During the period under question:

There has been no significant change in the state of affairs of the Fund. NAFA Islamic Money Market 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. 0.503 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.0034 / 0.03%. For details investors are advised to read note 13 of the Financial Statement of the Scheme for the year ended June 30, 2018.

NAFA ISLAMIC MONEY MARKET FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Money Market 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 period from February 28, 2018 to 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 MONEY MARKET FUND

Report of the Shari'ah Supervisory Board

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

Alhamdulillah, the period from February 28, 2018 to June 30, 2018 is the first year of the operations of NAFA Islamic Money Market Fund (NIMMF). This report is being issued in accordance with clause 3.7.1 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.

In the capacity of Shari'ah Supervisory Board, we have prescribed criteria and procedure to be followed in ensuring Shari'ah Compliance in every investment.

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NIMMF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NIMMF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.

On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NIMMF for the year ended June 30, 2018 are not in compliance with the Shari'ah principles.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC MONEY MARKET 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 Money Market Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the period from February 28, 2018 to 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 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 period from February 28, 2018 to June 30, 2018 are in compliance with the Shariah Principles.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with Shariah Principles for the period from February 28, 2018 to June 30, 2018.

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

NAFA ISLAMIC MONEY MARKET 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 Money Market 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 period 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>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.

NAFA ISLAMIC MONEY MARKET FUND

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.

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.

NAFA ISLAMIC MONEY MARKET FUND

- 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 MONEY MARKET FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	2018 Rupees in '000
ASSETS		
Bank balances	4	1,513,430
Preliminary and floatation costs	5	1,026
Mark-up accrued		9,065
Deposits and prepayments	6	202
Total assets		1,523,723
LIABILITIES		
Payable to NBP Fund Management Limited - Management Company	7	3,227
Payable to Central Depository Company of Pakistan Limited - Trustee	8	211
Payable to the Securities and Exchange Commission of Pakistan	9	414
Accrued expenses and other liabilities	10	1,217
Total liabilities		5,069
NET ASSETS		1,518,654
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,518,654
Contingencies and commitments		
	11	
Number of units		
Number of units in issue	17	149,594,218
-----Rupees-----		
Net asset value per unit	18	10.1518

The annexed notes from 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

INCOME STATEMENT FOR THE PERIOD FROM FEBRUARY 28, 2018 TO JUNE 30, 2018

	Note	2018 Rupees in '000
INCOME		
Return on - bank balances		33,950
Total income		33,950
EXPENSES		
Remuneration of NBP Fund Management Limited - Management Company	7.1	5,519
Sindh Sales Tax on remuneration of the Management Company	7.2	717
Reimbursement of operational expenses to the Management Company		552
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	8	751
Sindh Sales Tax on remuneration of the Trustee	8.2	98
Annual fee to the Securities and Exchange Commission of Pakistan		414
Settlement and bank charges		46
Auditors' remuneration	12	297
Preliminary and floatation cost		74
Fund rating fee		68
Legal and professional charges		20
Annual listing fee		20
Printing charges		35
Shariah advisor fee		173
Total expenses		8,784
Net income from operating activities		25,166
Provision for Sindh Workers' Welfare Fund	13	(503)
Net income for the period before taxation		24,663
Taxation	14	-
Net income for the period after taxation		24,663
Earnings per unit	15	
Allocation of net income for the period:		
Net income for the period after taxation		24,663
Income already paid on units redeemed		(4,659)
		20,004
Accounting income available for distribution:		
- Relating to capital gain		-
- Excluding capital gain		20,004
		20,004

The annexed notes from 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM FEBRUARY 28, 2018 TO JUNE 30, 2018

2018
Rupees in '000

Net income for the period after taxation	24,663
Other comprehensive income	-
Total comprehensive income for the period	24,663

The annexed notes from 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE PERIOD FROM FEBRUARY 28, 2018 TO JUNE 30, 2018

	Period ended June 30, 2018 (Rupees in '000)		
	Capital Value	Undistributed Income	Total
Issuance of units 217,224,128 units			
- Capital value	2,172,240	-	2,172,240
- Element of income	2,946	-	2,946
Total proceeds on issuance of units	2,175,186	-	2,175,186
Redemption of 67,629,910 units			
- Capital value	(676,299)	-	(676,299)
- Element of loss	(237)	(4,659)	(4,896)
Total payments on redemption of units	(676,536)	(4,659)	(681,195)
Total comprehensive income for the period	-	24,663	24,663
Distribution for the period	-	-	-
Net assets at end of the period	1,498,650	20,004	1,518,654
Accounting income available for distribution			
- Relating to capital gain		-	
- Excluding capital gain		20,004	
		20,004	
Distribution for the period		-	
Undistributed income carried forward		20,004	
Undistributed income carried forward			
- Realised		20,004	
- Unrealised		-	
		20,004	
			- (Rupees) -
Net assets value per unit at beginning of the year			10.0000
Net assets value per unit at end of the year			10.1518

The annexed notes from 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

CASH FLOW STATEMENT FOR THE PERIOD FROM FEBRUARY 28, 2018 TO JUNE 30, 2018

	Note	2018 Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation		24,663
Adjustments:		
Return on - bank balances		(33,950)
Amortization of preliminary and floatation cost		74
Provision for Sindh Workers' Welfare Fund		503
		(33,373)
		(8,710)
Increase in assets		
Preliminary expenses and floatation costs		(1,100)
Deposits and prepayments		(202)
		(1,302)
Increase in liabilities		
Payable to the Management Company		3,227
Payable to the Trustee		211
Payable to the Securities and Exchange Commission of Pakistan		414
Accrued expenses and other liabilities		714
		4,566
Return on bank balances received		24,885
Net cash generated from operating activities		19,439
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash generated from investing activities		-
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units		2,175,186
Amounts paid on redemption of units		(681,195)
Dividend paid		-
Net cash generated from financing activities		1,493,991
Net increase in cash and cash equivalents during the year		1,513,430
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year	4	1,513,430

The annexed notes from 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM FEBRUARY 28, 2018 TO JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Money Market Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited (formally; 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 January 09, 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 04, 2018 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).

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

The Fund is an open-ended mutual fund and classified as sharia compliant "shariah compliant money market scheme" by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units 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 objective of the Fund is to provide competitive return with maximum possible capital preservation by investing in low risk and liquid Shariah Compliant authorized instruments.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and has assigned stability rating AA(f) to the fund.

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan limited (CDC) as 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 MONEY MARKET 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
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Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
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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
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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
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Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
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NAFA ISLAMIC MONEY MARKET FUND

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.

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

Effective from accounting period beginning on or after:

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 01, 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.

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- 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.

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:

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- 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 3.7)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 - held-for-trading, 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.

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3.2.2 Regular way contracts

All regular purchases / 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 recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss - held for trading. Financial assets carried at fair value through profit or loss - held for trading are initially recognised at fair value and transaction costs are recognised in the income statement.

3.2.4 Subsequent measurement

a) Financial assets 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 SECP for valuation of debt securities vide its Circular no. 1 of 2009 dated January 06, 2009 and Circular no. 33 of 2012 dated October 24, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

2) Government securities

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

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss - held for trading' are taken to the 'income statement'.

b) Loans and receivables

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

3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the 'income statement'.

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 recognised on debt securities can be reversed through the 'income statement'.

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As allowed under Circular no. 13 of 2009 dated May 04, 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) 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 provision 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 derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and 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 recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

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

3.4 Preliminary and floatation costs

Preliminary and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

3.5 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.

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.

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

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

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3.7 Provisions

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

3.8 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the 'income statement' in the period in which they arise.
- Markup / return on government securities, sukuk certificates, bank balances and term deposits are recognized on a time proportion basis using the effective interest method.

3.9 Taxation

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

	Note	2018 Rupees in '000
4. BANK BALANCES		
Current accounts		3,384
Savings accounts	4.1	1,510,046
		<u>1,513,430</u>
4.1	These saving accounts have an expected mark-up at rates ranging from 2.50% to 6.60% per annum.	
5. PRELIMINARY AND FLOATATION COSTS		
Preliminary and floatation costs incurred	5.1	1,100
Less: amortisation during the period		<u>(74)</u>
Closing balance		<u>1,026</u>

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- 5.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of five years commencing from March 01, 2018 as per the requirements set out in the Trust Deed of the Fund.

	Note	2018 - Rupees in '000 -
6. DEPOSITS AND PREPAYMENTS		
Security deposit with Central Depository Company of Pakistan Limited		100
Mutual fund rating fee		102
		<hr/> 202 <hr/>

7. PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company	7.1	1,377
Sindh Sales Tax on remuneration of the Management Company	7.2	179
Sales load		17
Sindh Sales Tax on sales load		2
Operational charges	7.3	552
Other payable		1,100
		<hr/> 3,227 <hr/>

- 7.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of a 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 the 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 has made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provisions of amended NBFC Regulations, the applicable rate has been changed from 2% to 1.5%.

The Management Company has charged remuneration at the rate not exceeding 1.00 % per annum based on average net assets for the period. The fee is payable to the Management Company monthly in arrears.

- 7.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% on remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 7.3 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.

	Note	2018 Rupees in '000
8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Remuneration of the Trustee	8.1	187
Sindh Sales Tax on remuneration of the Trustee	8.2	24
		<hr/> 211 <hr/>

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- 8.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per tariff specified therein, based on the 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	0.17% per annum of net asset value.
On amount exceeding Rs. 1,000 million to Rs. 5,000 million	Rs. 1.7 million plus 0.085% per annum of net asset value exceeding Rs. 1,000 million.
On amount exceeding Rs. 5,000 million	Rs. 5.1 million plus 0.07% per annum of net asset value exceeding Rs. 5,000 million.

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

9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 9.1** Under the provisions of the NBFC Regulations, a collective investment scheme categorised as "Shariah Compliant Money Market Scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2018 Rupees in '000
Auditors' remuneration		297
Provision for Sindh Workers' Welfare Fund	13	503
Withholding tax		17
Capital gain tax		1
Legal and professional charges		20
Bank charges		19
Printing charges		35
Settlement Charges		1
Shariah advisor fee		173
Others		151
		<hr/>
		1,217
		<hr/>

11. CONTINGENCIES AND COMMITMENTS

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

12. AUDITORS' REMUNERATION

	2018 Rupees in '000
Annual audit fee	145
Other certifications	130
Out of pocket expenses	22
	<hr/>
	297
	<hr/>

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13. PROVISION FOR 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. 0.503 million. Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.0034 per unit.

14. 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). The Fund intends to distribute such accounting income for the year ended June 30, 2018 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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.

15. EARNINGS PER UNIT

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

16. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset value for the period) is 0.56% per annum including 0.10% representing government levies on Collective Investment Schemes such as sales tax and Securities and Exchange Commission of Pakistan fee for the year.

17. NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the year
Add: units issued during the period
Less: units redeemed during the period

Total units in issue at the end of the year

2018
No. of Units

-
217,224,128
(67,629,910)

149,594,218

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18. 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.

19. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

19.1 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.

19.2 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.

19.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

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

19.5 Details of transactions with connected persons are as follows:

2018
Rupees in '000

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	5,519
Sindh Sales Tax on Management Company's remuneration	717
Operational expenses	552
Sales load inclusive of Sindh Sales Tax	19

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	751
Sindh Sales Tax on Remuneration of the Trustee	98
CDS charges	3

Employees of the Management Company

Units issued / transferred in 8,917 units	90,000
Unit redeemed / transferred out 8,917 units	90,134

CDC Trustee NAFA Islamic Capital Preservation Plan-1

Units issued / transferred in 201,315,660 units	2,015,879
Unit redeemed / transferred out 53,582,060 units	540,560

19.6 Balances outstanding as at the period / year end

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	1,377
Sindh Sales Tax payable on remuneration of the Management Company	179
Operational expenses	552
Sales load	17
Sindh Sales Tax on sales load	2

NAFA ISLAMIC MONEY MARKET FUND

2018
Rupees in '000

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	187
Sindh Sales tax Remuneration payable	24
CDC Charges	1
Security deposit	100

CDC Trustee NAFA Islamic Capital Preservation Plan-1

Investment held in the Fund: 147,733,600 units	1,499,762
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Summit Bank Limited

Bank balance	1,580
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20. 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 Javed	MBA and CFA	12

20.1 Mr. Muhammad Ali Bhabha is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NAFA Financial Sector Income Fund
- NAFA Government Securities Liquid Fund
- NAFA Income Fund
- NAFA Savings Plus Fund
- NAFA Government Securities Savings Fund
- NAFA Riba Free Savings Fund
- NAFA Income Opportunity Fund
- NAFA Money Market Fund
- NAFA Islamic Income Fund
- NAFA Active Allocation Riba Free Savings Fund

21. PATTERN OF UNIT HOLDING

Category	As at June 30, 2018		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
(Rupees in '000)			
Individuals	34	18,892	1.24%
Others	1	1,499,762	98.76%
	35	1,518,654	100%

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22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 64th, 65th, 66th, and 67th Board meetings were held on September 15, 2017, October 27, 2017, February 22, 2018 and 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	
Mr. Mudassir Husain Khan [Note 22.1]	4	4	-	-
Mr. Tariq Jamali [Note 22.1]	4	3	1	67th
Mr. Abdul Hadi Palekar	4	4	-	-
Mr. Lui Mang Yin (Martin Lui) [Note 22.2]	*2	2	-	-
Mr. FOO Chiah Shiung (Kelvin Foo)	4	3	1	65th
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	4	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan [Note 22.3]	*-	-	-	-
Dr. Amjad Waheed	4	4	-	-

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

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

22.3 Mr. Wajahat Rasul Khan was 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.

23. FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2018

Loans and receivables	At fair value through profit or loss - held for trading	Total
-----Rupees in '000-----		
1,513,430	-	1,513,430
9,065	-	9,065
100	-	100
1,522,595	-	1,522,595

As at June 30, 2018

At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000-----		
-	3,227	3,227
-	211	211
-	696	696
-	1,518,654	1,518,654
-	1,522,788	1,522,788

Financial Assets

Bank balances
Mark-up accrued
Deposits

Financial Liabilities

Payable to the Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Accrued expenses and other liabilities
Net assets attributable to redeemable units

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24. FINANCIAL RISK MANAGEMENT

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

24.1 Market risk

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

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

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

24.1.1 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 Pak Rupees.

24.1.2 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. 15.10 million.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

(b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund does not hold any fixed rate instruments that may expose the fund to fair value interest rate risk.

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

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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	2.75 - 7.5	1,513,430	1,510,046	-	-	3,384
Profit receivable		9,065	-	-	-	9,065
Deposits		100	-	-	-	100
		1,522,595	1,510,046	-	-	12,549

Financial liabilities

Payable to the Management Company	3,227	-	-	-	3,227
Payable to the Trustee	211	-	-	-	211
Accrued expenses and other liabilities	1,217	-	-	-	1,217
Net assets attributable to redeemable units	1,518,654	-	-	-	1,518,654
	1,523,309	-	-	-	1,523,309
On-balance sheet gap	(714)	1,510,046	-	-	(1,510,760)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

24.1.3 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 instruments traded in the market. Presently, the Fund is not exposed to equity price risk as the Fund does not hold any equity securities as at June 30, 2018.

24.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances, mark-up accrued receivable on bank balances and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated by a well known rating agency. The risk of default is considered minimal due to inherent systematic measures taken therein. The Fund does not face any credit risk with respect to investment in government securities as these represent the interest of the Government of Pakistan. Therefore, 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

June 30, 2018

AAA	99.85%
AA+	0.07%
AA	0.08%

NAFA ISLAMIC MONEY MARKET FUND

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

	June 30, 2018	
	Amount of financial assets	Maximum Exposure
Bank balances	1,513,430	1,513,430
Mark-up accrued	9,065	9,065
Deposits	202	202
	1,522,697	1,522,697

Concentration of credit risk

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

24.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions 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. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen % of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. 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.

NAFA ISLAMIC MONEY MARKET FUND

June 30, 2018			
Total	Upto three months	Over three months and upto one year	Over one year
Rupees in '000			

Financial liabilities

Payable to the Management Company	3,227	3,227	-	-
Payable to the Trustee	211	211	-	-
Accrued expenses and other liabilities	696	696	-	-
Net assets attributable to redeemable units	1,518,654	1,518,654	-	-
	1,522,788	1,522,788	-	-

25. 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)

26. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown 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 24, the Fund endeavors 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.

NAFA ISLAMIC MONEY MARKET FUND

27. NON ADJUSTING EVENT AFTER REPORTING DATE

The Management Company on July 4, 2018 has declared a cash distribution of Rs. 0.1518 per unit. The Financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

28. 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 .

29. GENERAL

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

PERFORMANCE TABLE








Particulars	For the Period Ended
	June 30, 2018
Net assets at the year / period ended (Rs '000)	1,518,654
Net income for the year / period ended (Rs '000)	24,663
Net Asset Value per unit at the year / period ended (Rs)	10.1518
Offer Price per unit at year end	10.2092
Redemption Price per unit at year end	10.1518
Highest offer price per unit (Rs)	10.2092
Lowest offer price per unit (Rs)	10.0000
Highest redemption price per unit (Rs)	10.1518
Lowest redemption price per unit (Rs)	10.0000
Opening Nav of Fiscal Year	10.0000
Total return of the fund	1.52%
Capital growth	0.00%
Income distribution as a % of ex nav	1.52%
Income distribution as a % of par value	1.52%
Distribution	
Interim distribution per unit	-
Final distribution per unit	0.1518
Distribution Dates	
Final	04-Jul-18
Average annual return of the fund (launch date May 16, 2009)	
(Since inception to June 30, 2018)	4.50%
Portfolio Composition (Please see Fund Manager Report)	
Weighted average portfolio duration	1 Days
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up	



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