



NBP FUNDS
Managing Your Savings

Islamic Savings

Aitemaad اعتماد



اسلامک سیونگز

NAFA RIBA FREE SAVINGS 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 RIBA FREE SAVINGS 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 Shahra-e-Faisal, Karachi.

Bankers to the Fund

Al-Baraka Islamic Bank Limited
Bank Alfalah Limited
Habib Bank Limited
Meezan Bank Limited
United Bank Limited
Summit Bank Limited
BankIslami Pakistan Limited
MCB Bank Limited
Silk Bank Limited
Dubai Islamic Bank Pakistan Limited
National Bank of Pakistan
Soneri Bank Limited

NAFA RIBA FREE SAVINGS FUND

Bankers to the Fund

Allied Bank Limited
Sindh Bank Limited
Bank Al Habib Limited
Habib Metropolitan Bank Limited
JS Bank Limited

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

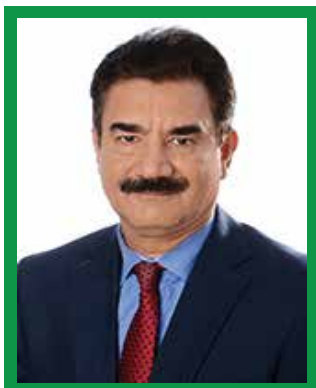
NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA RIBA FREE SAVINGS FUND

Contents

DIRECTORS' REPORT	05
TRUSTEE REPORT TO THE UNIT HOLDERS	10
FUND MANAGER REPORT	11
STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	13
REPORT OF THE SHARI'AH SUPERVISORY BOARD	14
INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	15
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	16
STATEMENT OF ASSETS AND LIABILITIES	19
INCOME STATEMENT	20
STATEMENT OF COMPREHENSIVE INCOME	21
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	22
CASH FLOW STATEMENT	23
NOTES TO THE FINANCIAL STATEMENTS	24
PERFORMANCE TABLE	47

Board of Directors



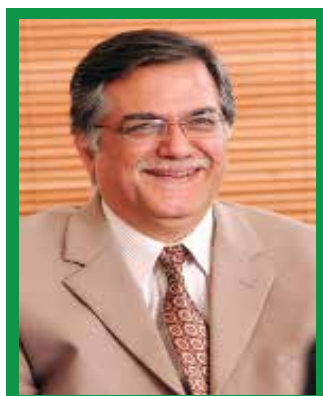
Dr. Amjad Waheed, CFA
Chief Executive Officer



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 RIBA FREE SAVINGS FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Eighth Annual Report of **NAFA Riba Free Savings Fund (NRFSF)** for the year ended June 30, 2018.

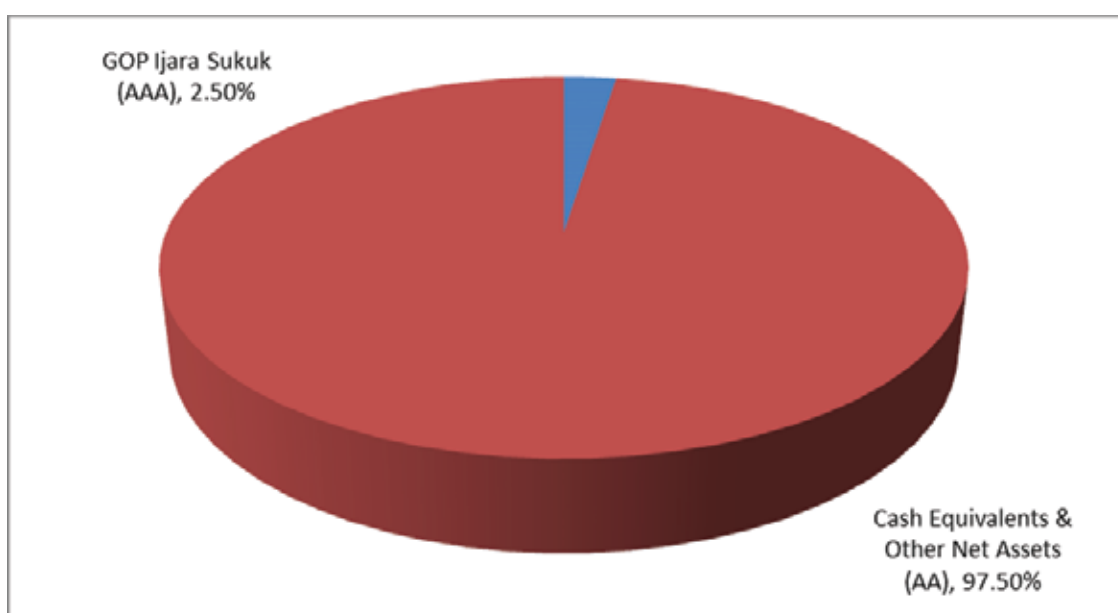
Fund's Performance

The size of NAFA Riba Free Savings Fund has grown from Rs. 2,127 million to Rs. 4,017 million during the period, i.e. a significant rise of 89%. During the period, the unit price of the Fund has increased from Rs. 10.1882 on June 30, 2017 to Rs. 10.7219 on June 30, 2018, thus posting a return of 5.2% as compared to its Benchmark return of 2.4% for the same period. The return of the Fund is net of management fee and all other expenses.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to stock market. The stability rating of the Fund by PACRA is A (f), which denotes a strong capacity to maintain relative stability in returns and very low exposure to risks. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

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.

The Fund has earned a total income of Rs. 207.44 million during the year. After deducting total expenses of Rs.37.74 million, the net income is Rs.169.70 million. The asset allocation of NAFA Riba Free Savings Fund as on June 30, 2018 is as follows:



NAFA RIBA FREE SAVINGS FUND

Income Distribution

The Management Company has approved cash dividend of 5.24% of opening ex-NAV (5.33% 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, Messer Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2019.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
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:

NAFA RIBA FREE SAVINGS FUND

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 RIBA FREE SAVINGS FUND

ڈائریکٹرز رپورٹ

این بی پی فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA ربا فری سیونگز فنڈ (NRFSF) کی آٹھویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

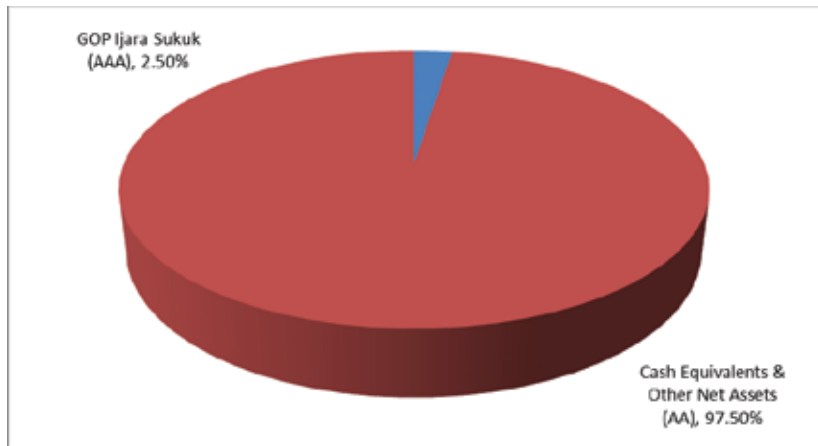
فنڈ کی کارکردگی

NAFA ربا فری سیونگز فنڈ (NRFSF) کا فنڈ سائز اس مدت کے دوران 2,127 ملین روپے سے بڑھ کر 4,017 ملین روپے ہو گیا ہے یعنی تقریباً 89% کا شاندار اضافہ۔ اس مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 10.1882 روپے سے بڑھ کر 30 جون 2018 کو 10.7219 روپے ہو چکی ہے اور اس طرح اپنے پنچ مارک منافع 2.4% کے مقابلے میں فنڈ نے 5.2% اضافہ دکھایا ہے۔ فنڈ کی یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NRFSF ایک اسلامک انکم اسکیم ہے جس کا اسٹاک مارکیٹ سے کوئی براہ راست یا بالواسطہ تعلق نہیں ہے۔ فنڈ کو PACRA کی طرف سے (f) مستحکم ریٹنگ دی گئی ہے، جو منافع جات میں متعلقہ استحکام برقرار رکھنے کی زبردست اہلیت اور خطرات کی زد میں آنے کے بہت معمولی امکانات کی نشان دہی کرتی ہے۔ فنڈ کا مقصد اسلامک بینکس / کمرشل بینکس کی اسلامک ونڈوز کی پیش کردہ منافع کی شرحوں کے مقابلے میں توازن سے بہتر منافع فراہم کرنا ہے، جب کہ اعلیٰ کوالٹی کے کریڈٹ پروفائل کے ساتھ آسان لیکویڈیٹی بھی مہیا کرنا ہے۔ کسی بھی واحد انسٹرومنٹ کی میچورٹی، ماسوائے حکومت پاکستان کے اجارہ سکوک، 6 ماہ سے تجاوز نہیں کر سکتی۔ حکومت پاکستان کے اجارہ سکوک متغیر شرح شریعہ کمپلائنس سکیورٹیز ہیں، جس کا تصدیق نامہ چھ ماہ سے دوبارہ ترتیب دیا جاتا ہے۔ یہ قیمتوں کے تعین کرنے کے خطرے کو کم کر رہے ہیں۔

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 ملین روپے تھی۔ البتہ ابتدائی اجراء کی کمی کے مقابلے میں بڑھتی ہوئی طلب نے اسپریڈ کو محدود کیا جس کے باعث بہتر معیار کے کارپوریٹ بانڈز پر اصل شرح منافع متاثر ہوا۔ پہلے نصف عرصہ کے دوران، ترقی کی رفتار جاری رہنے کی قوی توقع، افراط زر کی موجودگی، اور ملکی توانائی کی فراہمی میں بہتری اور برآمدات کی صنعت کو دی گئی ترغیبات کے باعث برآمدات میں فروغ کے سلسلے میں پیش رفت کے پیش نظر، ایس بی پی نے 5.75% پالیسی کی شرح کو برقرار رکھا۔ تاہم اگلے نصف عرصہ میں، بیرونی محاذ پر کرنٹ اکاؤنٹ کے خسارے (CAD) میں اضافے کے باعث بڑھتے ہوئے دباؤ، معیشت میں پہلے سے موجود افراط زر اور افراط زر پر قابو کیلئے پانے کے لئے، ایس بی پی نے پالیسی کی شرح میں 75 بیس پوائنٹ کا اضافہ کر دیا اور پالیسی کی شرح 6.5% ہو گئی۔ پالیسی کی شرح میں اضافے سے اچھے نتائج برآمد ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ T-Bills کے منافع بالترتیب 79 bps، 90 bps اور 116 bps سے بڑھ گئے۔ KIBOR سے منسلک فنڈ میں تمام سکوکس شرح متغیر ہیں جنکی تصدیق نامہ کی دوبارہ ترتیب دینے کی مدت تین سے چھ ماہ ہے۔

فنڈ نے اس سال کے دوران 207.44 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 37.74 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 169.70 ملین روپے ہے۔ NAFA ربا فری سیونگز فنڈ (NRFSF) کی ایسیٹ الیکویشن 30 جون 2018 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منیجمنٹ کمپنی نے سال کے اختتام کے بعد اویپنگ ex-NAV کا 5.24% (بنیادی قدر کا 5.33%) نقد ڈیویڈنڈ 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 سیکشن 110 کے تحت ٹیکس لاگو نہیں ہے۔

NAFA RIBA FREE SAVINGS FUND

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۔

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۔ شماریاتی 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، ڈیوٹیز، 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 24 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CEO، CFO، کمپنی مینجری 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 20 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 مانتارٹی انٹرسٹ نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

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

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 رٹسٹی 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 RIBA FREE SAVINGS 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 Riba Free Savings Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 12, 2018

NAFA RIBA FREE SAVINGS FUND

FUND MANAGER REPORT

NAFA Riba Free Savings Fund (NRFSS) is an Open-end Shariah Compliant Income Scheme.

Investment Objective of the Fund

The objective of NAFA Riba Free Savings Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah Compliant banks and money market/debt securities.

Benchmark

6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP.

Fund Performance Review

This is the Eighth Annual report since the launch of the Fund on August 20, 2010. The Fund size has grown significantly by 89% during FY18 and stands at Rs. 4,017 million as on June 30, 2018. The Fund has posted a return of 7.7% since its inception versus the benchmark return of 5.9%. During FY18, the Fund posted a return of 5.2% as compared to the benchmark return of 2.4%. This translates into an outperformance of 2.8% p.a. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its investment objectives.

NRFSS is an Islamic Income Scheme with no direct or indirect exposure to stock market. The Fund was awarded A(f) stability rating by PACRA. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

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	30-Jun-17
Cash (Cash Equivalents) & Other Assets	97.50%	95.21%
GOP Ijara Sukuk	2.50%	4.79%
Total	100.00%	100.00%

NAFA RIBA FREE SAVINGS FUND

Distribution for the Financial Year 2018

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Final	5.33%	0.5334	10.1885

Unit Holding Pattern of NAFA Riba Free Savings Fund as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	562
1001-5000	229
5001-10000	144
10001-50000	350
50001-100000	165
100001-500000	192
500001-1000000	42
1000001-5000000	35
5000001-10000000	11
10000001-100000000	6
	1,736

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NAFA Riba Free Savings 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. 5.074 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.0135/0.13%. For details investors are advised to read note 16 of the Financial Statement of the Scheme for the year ended June 30, 2018.

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

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

For and behalf of the board

Date: September 05, 2018
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA RIBA FREE SAVINGS FUND

Report of the Shari'ah Supervisory Board

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

Alhamdulillah, the period from July 1, 2017 to June 30, 2018 was the eighth year of the operations of NAFA Riba Free Savings Fund (NRFSF). This report is being issued in accordance with clause 3.14 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 NRFSF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NRFSF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NRFSF for the year ended June 30, 2018 are not in compliance with Shari'ah principles.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA RIBA FREE SAVINGS 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 Riba Free Savings Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2018.

Management Company's responsibility

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

Responsibility of an independent assurance provider

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

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

The procedures performed included:

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

Conclusion

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

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

NAFA RIBA FREE SAVINGS 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 Riba Free Savings Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year 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 ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Key audit matters

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

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

NAFA RIBA FREE SAVINGS FUND

2	<p>Element of Income</p> <p>As disclosed in detail in note 3.5.1, the Securities and Exchange Commission of Pakistan (the SECP) issued SRO no. 756(1)/2017 dated August 03, 2017, whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). As part of such amendments as definition of Element of Income has been incorporated and certain, amendments were also made in the 5th Schedule to the NBFC Regulations whereby distribution statement has been omitted from the financial statements and Element of Income has been made part of the 'Unit Holders' Fund' instead of the 'Income Statement' as suggested by ICAP and a new disclosure regarding allocation of accounting income is added to the 'Income Statement'.</p> <p>The above mentioned 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.
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Information other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management Company for the Financial Statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

NAFA RIBA FREE SAVINGS FUND

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Deloitte Yousuf Adil
Chartered Accountants

Date: September 25, 2018
Place: Karachi

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	2018 -----Rupees in '000 -----	2017
ASSETS			
Bank balances	4	3,921,350	2,048,337
Investments	5	100,380	101,990
Mark-up accrued	6	21,579	10,356
Deposits, prepayments and other receivables	7	200	1,171
Total assets		4,043,509	2,161,854
LIABILITIES			
Payable to NBP Fund Management Limited - Management Company	8	4,913	2,975
Payable to Central Depository Company of Pakistan Limited - Trustee	9	391	242
Payable to the Securities and Exchange Commission of Pakistan	10	2,473	1,075
Accrued expenses and other liabilities	11	18,531	30,413
Total liabilities		26,308	34,705
NET ASSETS		4,017,201	2,127,149
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		4,017,201	2,127,149
Contingencies and commitments	12		
Number of units			
Number of units in issue	13	374,671,846	208,784,704
Rupees			
Net asset value per unit	14	10.7219	10.1882

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA RIBA FREE SAVINGS FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
	Note	Rupees in '000	
INCOME			
Return / mark-up on;			
- bank balances		198,133	81,102
- government securities		5,540	5,453
- debt securities		5,380	-
Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading	5.2	(1,610)	1,200
Total income		207,443	87,755
EXPENSES			
Remuneration of NBP Fund Management Limited - Management Company	8.1	19,601	8,305
Sindh Sales Tax on remuneration of the Management Company	8.2	2,548	1,080
Reimbursement of operational expenses to the Management Company	8.3	3,297	1,433
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	3,653	2,060
Sindh Sales Tax on remuneration of the Trustee	9.2	475	268
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	2,473	1,075
Settlement and bank charges		560	290
Auditors' remuneration	15	655	512
Fund rating fee		373	340
Legal and professional charges		50	40
Annual listing fee		28	55
Printing charges		77	24
Shariah advisor fee		494	430
Total expenses		34,284	15,912
Net income from operating activities		173,159	71,843
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	(19,891)
Reversal of provision for Workers' Welfare Fund	16	-	10,079
Provision for Sindh Workers' Welfare Fund	16	(3,464)	(1,610)
Net income for the year before taxation		169,695	60,421
Taxation	17	-	-
Net income for the year after taxation		169,695	60,421
Earnings per unit	18		
Allocation of net income for the year:			
Net income for the year after taxation		169,695	
Income already paid on units redeemed		(75,567)	
Accounting income available for Distribution		94,128	
Relating to capital gain		-	
Excluding capital gain		94,128	
		94,128	

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

For NBP Fund Management Limited
(Management Company)

NAFA RIBA FREE SAVINGS FUND

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

	2018	2017
	----- Rupees in '000 -----	
Net income for the year after taxation	169,695	60,421
Other comprehensive income	-	-
Total comprehensive income for the year	169,695	60,421

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

For NBP Fund Management Limited
(Management Company)

NAFA RIBA FREE SAVINGS FUND

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

	Year ended June 30,					
	2018			2017		
	(Rupees in '000)					
	Capital Value	Undistributed Income	Total	Capital Value	Undistributed Income	Total
Net assets at the beginning of the year	2,108,566	18,583	2,127,149	1,145,537	14,689	1,160,226
Issuance of 659,679,347 units (2017: 614,201,407 units)						
- Capital value	6,720,945	-	6,720,945			
- Element of income	175,044	-	175,044			
Total proceeds on issuance of units	6,895,989	-	6,895,989	6,246,053	207,956	6,454,009
Redemption of 493,792,205 units (2017: 519,507,225 units)						
- Capital value	(5,030,854)	-	(5,030,854)			
- Element of loss	(69,211)	(75,567)	(144,778)			
Total payments on redemption of units	(5,100,065)	(75,567)	(5,175,632)	(5,283,024)	(227,847)	(5,510,871)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-		19,891	19,891
Total comprehensive income for the year	-	169,695	169,695		60,421	60,421
Distribution during the year	-	-	-		(56,527)	(56,527)
Net assets at the end of the year	3,904,490	112,711	4,017,201	2,108,566	18,583	2,127,149
Undistributed income brought forward						
- Realised		17,383			13,899	
- Unrealised		1,200			790	
		18,583			14,689	
Accounting income available for distribution						
- Relating to capital gain		-				
- Excluding capital gain		94,128				
		94,128			60,421	
Distribution during the year		-			(56,527)	
Undistributed income carried forward		112,711			18,583	
Undistributed income carried forward						
- Realised		112,711			17,383	
- Unrealised		-			1,200	
		112,711			18,583	
		- (Rupees) -			- (Rupees) -	
Net assets value per unit at beginning of the year		10.1882			10.1693	
Net assets value per unit at end of the year		10.7219			10.1882	

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA RIBA FREE SAVINGS FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		169,695	60,421
Adjustments:			
Return / mark-up on;			
- bank balances		(198,133)	(81,102)
- government securities		(5,540)	(5,453)
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss - held for trading		1,610	(1,200)
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	19,891
Reversal of provision for Workers' Welfare Fund		-	(10,079)
Provision for Sindh Workers' Welfare Fund		3,464	1,610
		(198,599)	(76,333)
		(28,904)	(15,912)
(Increase) / decrease in assets			
Deposits, prepayments and other receivables		177	(14)
Increase / (decrease) in liabilities			
Payable to the Management Company		1,938	1,124
Payable to the Trustee		149	64
Payable to the Securities and Exchange Commission of Pakistan		1,398	72
Accrued expenses and other liabilities		(4,414)	(1,578)
		(929)	(318)
Mark-up on bank balances received		186,940	76,967
Mark-up on government securities received		5,510	5,451
Net cash generated from operating activities		162,794	66,174
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received on issuance of units		6,896,783	6,453,369
Amounts paid on redemption of units		(5,186,527)	(5,545,350)
Dividend paid		(37)	(56,490)
Net cash generated from financing activities		1,710,219	851,529
Net increase in cash and cash equivalents during the year		1,873,013	917,703
Cash and cash equivalents at the beginning of the year		2,048,337	1,130,634
Cash and cash equivalents at the end of the year	4	3,921,350	2,048,337

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA RIBA FREE SAVINGS FUND

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

1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Riba Free Savings Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 18, 2010 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).

On January 11, 2013, MCB Financial Services Limited (MCB-FSL) was appointed as the new Trustee of the Fund, after CDC retired on the prior day. The appointment of the new Trustee was made as per clause 21 of the Trust Deed and Regulation 42(3) of the Non - Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The supplemental Trust Deed of the Fund was signed on November 16, 2012. Thereafter, on September 4, 2013, CDC was re-appointed as the new Trustee of the Fund, after MCB-FSL retired on the prior day and the supplemental Trust Deed was signed on July 29, 2013.

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 the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Fund is an open-ended mutual fund and classified as an Islamic "income 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 preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in Shariah compliant banks and money market / debt securities.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

NAFA RIBA FREE SAVINGS FUND

2.2 Basis of Measurement

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

2.3 Functional and presentation currency

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

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

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

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

Effective from accounting period beginning on or after:

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative

January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses

January 01, 2017

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

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

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

Effective from accounting periods beginning on or after:

IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

July 01, 2018

IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.

January 01, 2019

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

January 01, 2018

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

July 01, 2018

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of

January 01, 2019

NAFA RIBA FREE SAVINGS FUND

financial liabilities

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 periods 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 1, 2018.

Key requirements of IFRS 9 are as follows;

Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".

NAFA RIBA FREE SAVINGS FUND

- 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:

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

2.7 Critical accounting judgments and estimates

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.

NAFA RIBA FREE SAVINGS FUND

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

3. SUMMARY OF SIGNIFICANT 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 saving 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.

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.

NAFA RIBA FREE SAVINGS FUND

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 6, 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'.

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

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'.

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

b) 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.

NAFA RIBA FREE SAVINGS FUND

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 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.

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

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

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

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

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

Amendment in the NBFC Regulations in the current year

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

NAFA RIBA FREE SAVINGS FUND

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

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

Had the element of income been recognised as per the previous accounting policy, the profit of the Fund would have been higher by Rs. 16.09 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been lower by Rs. 0.0009. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' which have been incorporated in these statements.

3.6 Provisions

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

3.7 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.

3.8 Taxation

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

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

3.9 Proposed distributions

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

3.9.1 Earnings per unit

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

NAFA RIBA FREE SAVINGS FUND

		2018	2017
	Note	Rupees in '000	
4 BANK BALANCES			
Current accounts		15,227	29,165
Savings accounts	4.1	3,906,123	2,019,172
		3,921,350	2,048,337

4.1 These savings accounts carry markup at rates ranging from 3.75% to 7.5% per annum (2017: 2.40% to 6.75% per annum).

		2018	2017
	Note	Rupees in '000	
5 INVESTMENTS			
Financial assets at fair value through profit or loss - held for trading			
Government securities - GoP ijarah sukuku	5.1	100,380	101,990
		100,380	101,990

5.1 Government securities - GoP ijarah sukuku

Description	Number of certificates				Market value as at June 30, 2018	Investment as a percentage of		
	As at July 01 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018		Net assets	Market value of total investments	Issue size
					Rupees in '000'		%	

All certificates have a face value of Rs.100,000 each

GoP ijara sukuk XVI	18-Dec-2015 to 18-Dec-2018	1,000	-	-	1,000	100,380	2.50%	100%	0.09%
						100,380	2.50%	100%	0.09%

Carrying value before mark to market as at June 30, 2018

101,990

5.1.1 GoP ijara sukuk held by the Fund carry mark-up rate of 6.33% (2017: 5.51%) per annum.

		2018	2017
	Note	Rupees in '000	
5.2 Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading			
Market value of investments	5.1	100,380	101,990
Less: carrying value of investments before mark to market	5.1	(101,990)	(100,790)
		(1,610)	1,200

6. MARK-UP ACCRUED

Mark-up accrued on bank balances	21,353	10,160
Mark-up accrued on government securities	226	196
	21,579	10,356

NAFA RIBA FREE SAVINGS FUND

7.	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2018	2017
			Rupees in '000	
	Receivable against issuance of units	7.1	-	794
	Security deposit with Central Depository Company of Pakistan Limited		200	200
	Prepayments		-	177
			200	1,171

- 7.1** This represented amounts receivable from other collective investment schemes being managed by the Management Company of the Fund. These amounts are received during the year in respect of units issued to various unit holders based on their request for transfer of units from other collective investment schemes to the Fund. These amounts have been received from respective collective investment schemes to the Fund.

8.	PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2018	2017
			Rupees in '000	
	Remuneration of the Management Company	8.1	2143	1055
	Sindh Sales Tax on remuneration of the Management Company	8.2	280	138
	Operational expenses	8.3	1828	1433
	Sales load		289	13
	Sindh Sales Tax and Federal Excise Duty on sales load		373	336
			4913	2975

- 8.1** 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 management remuneration at the rate of 1.25% per annum until December 6, 2015. Thereafter from December 7, 2015, the Management Company has revised their policy for charging management remuneration as per the table given below:

Management remuneration (as % of net income *)	Minimum management remuneration (as % of average net asset value)	Maximum management remuneration (as % of average net asset value)
10%	0.5%	1.25%

* Net income = Gross income - all expenses of the Fund excluding Management remuneration and related Sales Tax and Federal Excise Duty thereon.

Management remuneration is paid on a monthly basis in arrears.

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

- 8.3** This represents reimbursement of certain expenses to the Management Company. As per Regulation 60(3)(s) of the amended 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.

NAFA RIBA FREE SAVINGS FUND

		2018	2017
	Note	Rupees in '000	Rupees in '000
9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration of the Trustee	9.1	347	215
Sindh Sales Tax on remuneration of the Trustee	9.2	44	27
		391	242

- 9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on 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, 2017 is as follows:

Net asset value	Tariff per annum
Upto Rs. 1,000 million	0.17% per annum of net 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

- 9.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2016: 14%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 10.1** Under the provisions of the NBFC Regulations, 2008, a collective investment scheme categorised as "income scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075% of the average annual net assets of the Fund. The fee is paid annually in arrears.

		2018	2017
	Note	Rupees in '000	Rupees in '000
11. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		526	434
Provision for Sindh Workers' Welfare Fund	16.	5074	1610
Federal Excise Duty on remuneration of the Management Company	11.1&11.2	10657	10657
Settlement charges		29	12
Withholding tax		55	4071
Capital gain tax		1125	1986
Legal and professional charges		55	15
Bank charges		47	12
Payable against redemption of units	11.3	186	11081
Printing charges		85	75
Mutual fund rating fee		195	-
Dividend payable		-	37
Others		497	423
		18531	30413

NAFA RIBA FREE SAVINGS FUND

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

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

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

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 10.657 million as at June 30, 2018.

Had the provision not been made, the net asset value per unit as at June 30, 2018 would have been higher by Rs.0.0284 per unit (2017: Rs. 0.0510 per unit).

- 11.2** The amount of FED accrued on remuneration of the Management Company will be paid via Management Company to the Taxation authority, if required.

- 11.3** This includes amounts payable to other collective investment schemes Rs. Nil as at June 30, 2018 (2017: Rs. 10.8 million) being managed by the Management Company of the Fund. These amounts are paid during the year in respect of units redeemed by various unit holders based on their request for transfer of units from the Fund to the other collective investment schemes

12. CONTINGENCIES AND COMMITMENTS

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

	2018	2017
	-----Number of units-----	
13. NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	208,784,704	114,090,522
Add: units issued during the year	659,679,347	614,201,407
Less: units redeemed during the year	(493,792,205)	(519,507,225)
Total units in issue at the end of the year	374,671,846	208,784,704

14. NET ASSET VALUE PER UNIT

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

	2018	2017
	----- Rupees in '000 -----	
15. AUDITORS' REMUNERATION		
Annual audit fee	394	365
Half yearly review fee	138	128
Other certifications	90	-
Out of pocket expenses	33	19
	655	512

NAFA RIBA FREE SAVINGS FUND

16. 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. 5.074 million (2017: Rs. 1.610 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.0135 (June 30, 2017: Rs. 0.0077) per unit.

17. 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 has distributed 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.

18. 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.

19. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset value for the year) is 1.14% per annum including 0.27% representing government levies on Collective Investment Schemes such as sales tax, provision for Sindh Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the year.

20. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

- 20.1** Connected persons and related parties include NBP Asset 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.

NAFA RIBA FREE SAVINGS FUND

20.2 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.

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

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

20.5 Details of transactions with connected persons and related parties are as follows:

	2018	2017
	----- Rupees in '000 -----	

NBP Fund Management Limited (Management Company)

Remuneration of the Management Company	19,601	8,305
Sindh Sales Tax on remuneration of the Management Company	2,548	1,080
Reimbursement of operational expenses to the Management Company	3,297	1,433
Sales load	779	279
Sindh Sales Tax and Federal Excise Duty on sales load	101	36

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	3,653	2,060
Sindh Sales Tax on remuneration of the Trustee	475	268
CDS charges	21	12

Employees of the Management Company

Units issued / transferred in 2,979,421 units (2017: 3,878,948 units)	31,058	41,034
Units redeemed / transferred out 2,207,309 units (2017: 3,689,712 units)	23,060	39,273
Dividend re-invest Nil units (2017: 1,834 units)	-	19

Pakistan Mobile Communication Limited - Provident Fund (Portfolio managed by the Management company)

Units redeemed / transferred out Nil units (2017: 423,929 units)	-	4,430
--	---	-------

***Pakistan Telecommunication Company Limited Employees General Provident Fund (Unit holder of 10% or more of units of the CIS)**

Units issued / transferred in Nil units (2017: 106,783,450 units)	-	1,109,429
Units redeemed / transferred out Nil units (2017: 70,095,249 units)	-	742,372

National Fullerton Asset Management Employee Provident Fund (Provident Fund of the Management Company)

Units issued / transferred in 1,860,004 units (2017: 442,674 units)	19,213	4,564
Units redeemed / transferred out 1,356,746 units (2017: 215,275 units)	14,152	2,313

Bank Islami Pakistan Limited (Common Directorship with the Management Company)

Markup on bank balances	19,289	5,249
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****Prosperity Weaving Mills**

Units issued / trasferred in 876 units (2017: Nil units)	9	-
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****Telenor Pakistan Private Limited Employees Provident Fund (Islamic)**

Units issued / trasferred in 3,860,512 units (2017: Nil units)	40,639	-
Units redeemed / transferred out 3,255,334 units (2017: Nil units)	34,589	-

****Service Sales Corp.Provident Fund Trust**

Units issued / trasferred in 2,517,401 units (2017: Nil units)	26,155	-
Units redeemed / transferred out 2,517,401 units (2017: Nil units)	26,608	-

Byco Petroleum Pakistan Limited - Employee Provident Fund - CPS (Portfolio managed by the Management Company)

NAFA RIBA FREE SAVINGS FUND

Units issued / transferred in 4,411,722 units (2017: Nil units)	45,600	-
Units redeemed / transferred out 1,695,474 units (2017: Nil units)	18,000	-

Mr. Khalid Mehmood - Chief Financial Officer

Units issued / transferred in 173,886 units (2017: Nil units)	1,800	-
Units redeemed / transferred out 87,572 units (2017: Nil units)	927	-

* Current year transactions with these parties have not been disclosed as they did not remain connected persons and related parties during the year.

** Prior year transactions with these parties have not been disclosed as they were not connected persons or related parties during prior years.

20.6 Details of amounts outstanding as at year end with connected persons and related parties are as follows:

NBP Fund Management Limited (Management Company)

Remuneration of the Management Company	2,143	1,055
Sindh Sales Tax on remuneration of the Management Company	280	138
Operational expenses	1,828	1,433
Sales load	289	13
Sindh Sales Tax and Federal Excise Duty on sales load	373	336

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	347	215
Sindh sales tax on remuneration of the Trustee	44	27
CDS charges	29	12
Security deposit	200	200

National Bank of Pakistan (Parent of the Management Company)

Bank balance	4,080	4,190
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Summit Bank Limited (Common Directorship with the Management Company)

Bank balance	2,881	2,787
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Bank Islami Pakistan Limited

(Common Directorship with the Management Company)

Bank balance	62,359	39,033
Markup accrued	698	62

Employees of the Management Company

Investment held in the Fund 1,119,850 Units (2017: 347,738 units)	2,007	3,543
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**Prosperity Weaving Mills

Investment held in the Fund 876 Units (2017: Nil units)	9	-
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National Fullerton Asset Management Employee Provident Fund (Provident Fund of the Management Company)

Investment held in the Fund 730,656 Units (2017: 227,398 units)	7,834	2,317
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Byco Petroleum Pakistan Limited - Employee Provident Fund - CPS

Investment held in the Fund 2,716,248 Units (2017: Nil units)	29,123	-
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**Telenor Pakistan Private Limited Employees Provident Fund (Islamic)

Investment held in the Fund 605,179 Units (2017: Nil units)	6,489	-
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NAFA RIBA FREE SAVINGS FUND

Mr. Khalid Mehmood - Chief Financial Officer

Investment held in the Fund 86,314 Units (2017: Nil units) 925 -

*Pakistan Telecommunication Company Limited Employees General Provident Fund (Unit holder of 10% or more of units of the CIS)

Investment held in the fund Nil units (2017: 36,688,200 units) - 373,787

Net amount receivable / (payable) against transfer of units from / to:

NAFA Islamic Asset Allocation Fund	-	75
NAFA Islamic Stock Fund	-	(10,800)
NAFA Stock Fund	-	669
NAFA Islamic Energy Fund	-	50

* Current year transactions with these parties have not been disclosed as they did not remain connected persons and related parties during the year.

** Prior year transactions with these parties have not been disclosed as they were not connected persons or related parties during prior years.

21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

21.1 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 Income Opportunity Fund
- NAFA Islamic Income Fund
- NAFA Active Allocation Riba Free Savings Fund
- NAFA Islamic Money Market Fund

22. TRANSACTIONS WITH BROKERS / DEALERS

There has been no brokerage expense during the year ended June 30, 2018 and June 30, 2017.

NAFA RIBA FREE SAVINGS FUND

23 PATTERN OF UNIT HOLDING

Category	As at June 30, 2018		
	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	1,600	1,083,771	26.98%
Associated Companies and Directors	1	7,834	0.20%
Insurance companies	4	53,128	1.32%
Retirement funds	73	1,629,218	40.56%
Public Limited Companies	3	257,638	6.41%
Others	55	985,612	24.53%
	1,736	4,017,201	100.00%

Category	As at June 30, 2017		
	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	799	563,254	26.48%
Insurance companies	3	76,203	3.58%
Retirement funds	24	1,003,506	47.18%
Others	24	484,186	22.76%
	850	2,127,149	100.00%

24 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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 granted	
Mr. Mudassir H. Khan [Note 24.1]	4	4	-	-
Mr. Tariq Jamali [Note. 24.1]	4	3	1	67th
Mr. Abdul Hadi Palekar	4	4	-	-
Mr. Lui Mang Yin (Martin Lui) [Note 24.2]	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 24.3]	-*	-	-	-
Dr. Amjad Waheed	4	4	-	-

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

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

24.3 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.

NAFA RIBA FREE SAVINGS FUND

25. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2018			
	Loans and receivables	At fair value through profit or loss - held for trading	Available for sale	Total
	-----Rupees in '000-----			
Financial Assets				
Bank balances	3,921,350	-	-	3,921,350
Investments	-	100,380	-	100,380
Mark-up accrued	21,579	-	-	21,579
Deposits	200	-	-	200
	3,943,129	100,380	-	4,043,509

	As at June 30, 2018		
	At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000-----			
Financial Liabilities			
Payable to the Management Company	-	4,913	4,913
Payable to the Trustee	-	391	391
Accrued expenses and other liabilities	-	1,620	1,620
Net assets attributable to redeemable units	-	4,017,201	4,017,201
	-	4,024,125	4,024,125

	As at June 30, 2017			
	Loans and receivables	At fair value through profit or loss - held for trading	Available for sale	Total
Financial Assets	-----Rupees in '000-----			
Bank balances	2,048,337	-	-	2,048,337
Investments	-	101,990	-	101,990
Mark-up accrued	10,356	-	-	10,356
Deposits and other receivables	994	-	-	994
	2,059,687	101,990	-	2,161,677

	As at June 30, 2017		
	At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000-----			
Financial Liabilities			
Payable to the Management Company	-	2,975	2,975
Payable to the Trustee	-	242	242
Accrued expenses and other liabilities	-	22,746	22,746
Net assets attributable to redeemable units	-	2,127,149	2,127,149
	-	2,153,112	2,153,112

NAFA RIBA FREE SAVINGS FUND

26. FINANCIAL RISK MANAGEMENT

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

26.1 Market risk

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

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

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

26.1.1 Currency risk

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

26.1.2 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.

- Sensitivity analysis for variable rate instruments

As at June 30, 2018, the Fund holds KIBOR based interest bearing sukuks and balance in savings accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund would have been higher / lower by approximately Rs. 40.06 million (2017: Rs. 21.1 million).

b) Sensitivity analysis for fixed rate instruments

Presently, the fund does not any fixed rate instrument that has been designated at fair value through profit and loss. Therefore, a change in interest rate as at June 30, 2018, would not have any affect on the income statement.

The composition of the Fund's investment portfolio, KIBOR rates 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.

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

As at June 30, 2018						
Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
On-balance sheet financial instruments	%	Rupees in '000				
Financial assets						
Bank balances	3.75 - 7.5	3,921,350	3,906,123	-	-	15,227
Investments	6.33	100,380	-	100,380	-	-
Mark-up accrued		21,579	-	-	-	21,579
Deposits		200	-	-	-	200
		4,043,509	3,906,123	100,380	-	37,006
Financial liabilities						
Payable to the Management Company		4,913	-	-	-	4,913
Payable to the Trustee		391	-	-	-	391
Accrued expenses and other liabilities		1,620	-	-	-	1,620
Net assets attributable to redeemable units		4,017,201	-	-	-	4,017,201
		4,024,125	-	-	-	4,024,125
On-balance sheet gap		19,384	3,906,123	100,380	-	(3,987,119)
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

NAFA RIBA FREE SAVINGS FUND

Yield / Interest rate	Total	As at June 30, 2017 Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
%		Rupees in '000			

On-balance sheet financial instruments

Financial assets

Bank balances	2.40 - 6.75	2,048,337	2,019,172	-	-	29,165
Investments	5.51	101,990	-	101,990	-	-
Mark-up accrued		10,356	-	-	-	10,356
Deposits and other receivables		994	-	-	-	994
		2,161,677	2,019,172	101,990	-	40,515

Financial liabilities

Payable to the Management Company	2,975	-	-	-	2,975
Payable to the Trustee	242	-	-	-	242
Accrued expenses and other liabilities	22,746	-	-	-	22,746
Net assets attributable to redeemable units	2,127,149	-	-	-	2,127,149
	2,153,112	-	-	-	2,153,112

On-balance sheet gap

8,565	2,019,172	101,990	-	(2,112,597)
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Off-balance sheet financial instruments

-	-	-	-	-
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Off-balance sheet gap

-	-	-	-	-
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26.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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 price risk.

26.2 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

	2018
AAA	46.03%
AA+	0.18%
AA	0.12%
AA-	1.86%
A+	1.60%
A-	50.19%
A	0.02%

NAFA RIBA FREE SAVINGS FUND

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

	June 30, 2018		June 30, 2017	
	Financial assets	Maximum Exposure	Financial assets	Maximum Exposure
	----- Rupees in '000 -----			
Bank balances	3,921,350	3,921,350	2,048,337	2,048,337
Investments	100,380	-	101,990	-
Mark-up accrued	21,353	21,353	10,356	10,160
Deposits and other receivables	200	200	994	994

Concentration of credit risk

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

26.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities that can be readily disposed / profit and loss savings accounts 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 15% 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 10% 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 10% of the units then in issue. The Fund did not withhold any significant redemptions during the year.

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

	As at June 30, 2018			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- Rupees in '000 -----			
Financial liabilities				
Payable to the Management Company	4,913	4,913	-	-
Payable to the Trustee	391	391	-	-
Accrued expenses and other liabilities	1,620	1,620	-	-
Net assets attributable to redeemable units	4,017,201	4,017,201	-	-
	4,024,125	4,024,125	-	-
	----- Rupees in '000 -----			
	As at June 30, 2017			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- Rupees in '000 -----			
Financial liabilities				
Payable to the Management Company	2,975	2,975	-	-
Payable to the Trustee	242	242	-	-
Accrued expenses and other liabilities	22,746	22,746	-	-
Net assets attributable to redeemable units	2,127,149	2,127,149	-	-
	2,153,112	2,153,112	-	-

NAFA RIBA FREE SAVINGS FUND

27. 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).

The following table presents the fund's financial assets which are carried at fair value.

	----- As at June 30, 2018 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
At fair value through profit or loss				
- held for trading				
Government securities - GoP ijarah sukuks	-	100,380	-	100,380
	----- As at June 30, 2017 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
At fair value through profit or loss				
- held for trading				
Government securities - GoP ijarah sukuks	-	101,990	-	101,990

There were no transfers between above levels during the year.

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

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

28. UNIT HOLDERS' FUND RISK MANAGEMENT

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

NAFA RIBA FREE SAVINGS FUND

In accordance with the risk management policies stated in note 26, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

29 NON ADJUSTING EVENT AFTER REPORTING DATE

The Management Company on July 4, 2018 has declared a cash distribution of Rs. 0.5334 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.

30 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.

31 GENERAL

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

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA RIBA FREE SAVINGS FUND

PERFORMANCE TABLE

Particulars	for the Year ended June 30, 2018	for the Year ended June 30, 2017	for the Year ended June 30, 2016	for the Year ended June 30, 2015	for the Year ended June 30, 2014	for the Year ended June 30, 2013
Net assets (Rs. '000')	4,017,201	2,127,149	1,160,226	799,218	1,657,030	3,028,447
Net Income (Rs. '000')	169,695	60,421	18,826	62,036	238,802	101,979
Net Asset Value per units (Rs.)	10.7219	10.1882	10.1693	10.1642	10.1045	10.0897
Offer price per unit	10.7825	10.2458	10.2365	10.2320	10.1725	10.1401
Redemption price per unit	10.7219	10.1882	10.1693	10.1642	10.1045	10.0897
Ex - Highest offer price per unit (Rs.)	10.7825	10.2458	10.2365	10.2320	10.1725	10.1401
Ex - Lowest offer price per unit (Rs.)	10.2471	9.6871	9.7058	9.5350	9.4357	9.3295
Ex - Highest redemption price per unit (Rs.)	10.7219	10.1882	10.1693	10.1642	10.1045	10.0897
Ex - Lowest redemption price per unit (Rs.)	10.1895	9.6249	9.6397	9.4718	9.3726	9.2831
Fiscal Year Opening Ex Nav	10.1882	9.6235	9.6361	9.4676	9.3719	9.2806
Total return of the fund	5.24%	5.87%	5.53%	7.36%	7.82%	8.72%
Capital growth	0.00%	-0.13%	0.05%	0.14%	-0.15%	-0.21%
Income distribution as a % of ex nav	5.24%	5.99%	5.48%	7.22%	7.97%	8.93%
Income distribution as a % of par value	5.33%	5.77%	5.57%	6.83%	7.47%	8.29%
Distribution						
Interim distribution per unit		0.5768	0.5570	0.6831	0.747	0.829
Final distribution per unit	0.5334	-	-	-	-	-
Distribution dates						
Interim		21-Jun-2017	30-Jun-2016	30-Jun-2015		
Final	04-Jul-2018			-	-	-
Average annual return (launch date 21-08-2010)						
(Since inception to June 30, 2018)	7.66%					
(Since inception to June 30, 2017)		8.01%				
(Since inception to June 30, 2016)			8.38%			
(Since inception to June 30, 2015)				9%		
(Since inception to June 30, 2014)					9.41%	
(Since inception to June 30, 2013)						9.97%
(Since inception to June 30, 2012)						
(Since inception to June 30, 2011)						
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	4 Days	8 Days	78 days	15 days	33 days	31 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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