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NBP Fullerton
Asset Management Ltd.
A Subsidiary of
National Bank of Pakistan

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

ANNUAL REPORT 2017



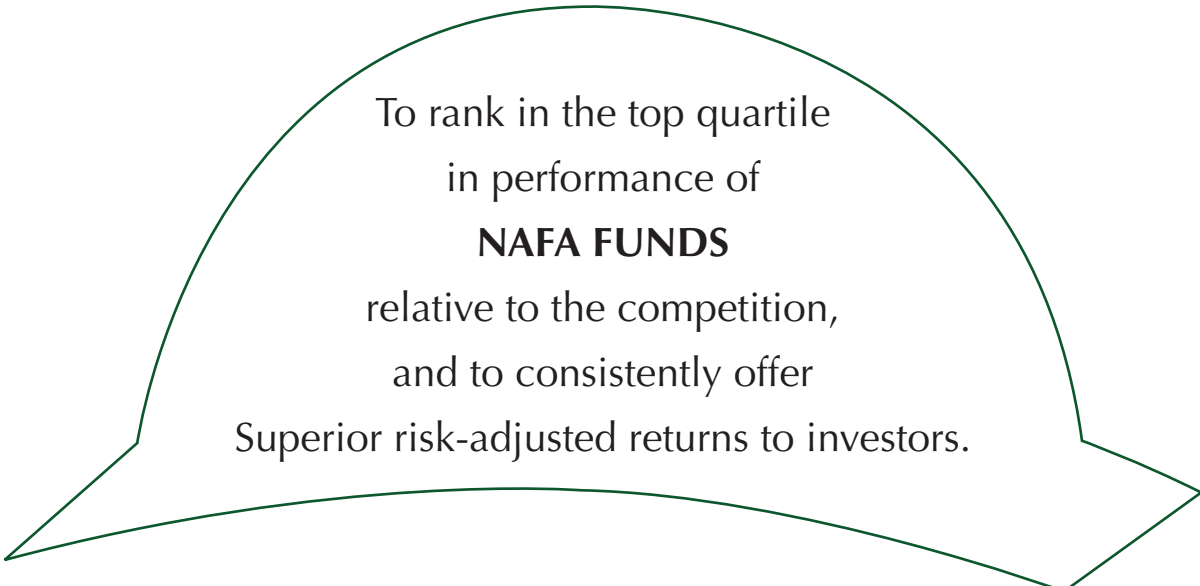
Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Tariq Jamali	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Lui Mang Yin (Martin Lui)	Member
Mr. Abdul Hadi Palekar	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

Bank Islami Pakistan Limited
Habib Bank Limited
United Bank Limited
Dubai Islamic Bank Limited
Silk Bank Limited
Al Baraka Bank (Pakistan) Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
Soneri Bank Limited

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

Auditors

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

Legal Advisor

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

Head Office:

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

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

Multan Office:

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

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Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Mudassir Husain Khan
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Lui Mang Yin (Martin Lui)
Director



Mr. Tariq Jamali
Director



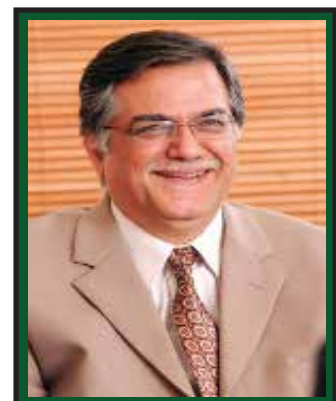
Mr. Shehryar Faruque
Director



Dr. Foo Chiah Shiung (Kelvin Foo)
Director



Mr. Abdul Hadi Palekar
Director



Mr. Humayun Bashir
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Sajjad Anwar, CFA
Chief Investment 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



Mr. Hassan Raza, CFA
Head of Research



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



Mr. Taha Khan Javed, CFA
Head of Equity



Syed Ali Azhar Hasani
Head of Internal Audit



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman, ACA
Senior Manager Compliance



Mr. Shahbaz Umer
Head of Human Resource &
Administration

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Second Annual Report of NAFA Active Allocation Riba Free Savings Fund for the year ended June 30, 2017.

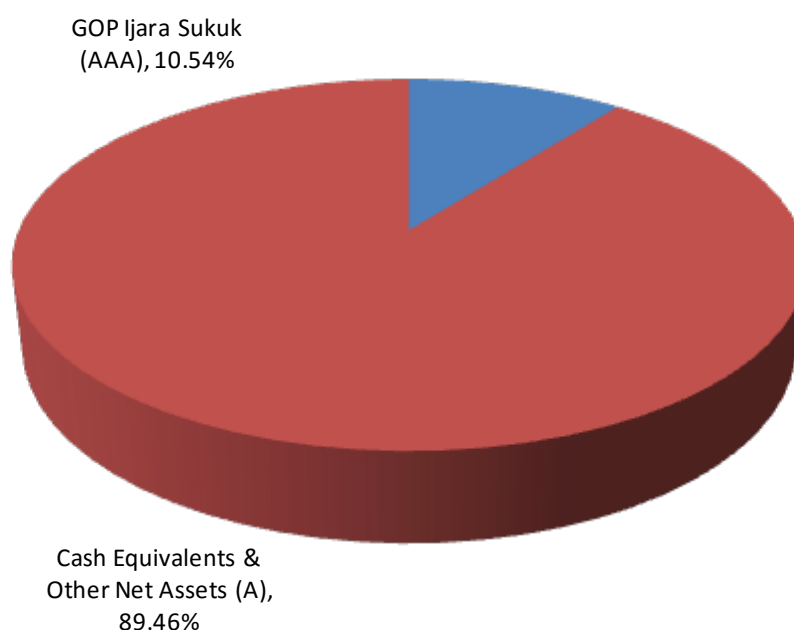
Fund's Performance

The size of NAFA Active Allocation Riba Free Savings Fund has decreased from Rs. 997 million to Rs. 955 million during the period, i.e. a decline of 4%. During the said period, the unit price of the Fund has increased from Rs. 9.6456 (Ex-Div) on June 30, 2016 to Rs. 10.0154 on June 30, 2017, thus posting a return of 3.83% as compared to its Benchmark return of 3.12% for the same period. The return of the Fund is net of management fee and all other expenses.

NAARFSF is an Islamic Income Scheme with no direct or indirect exposure to the stock market. 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.

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as the short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

The Fund has earned a total income of Rs.54.70 million during the year. After deducting total expenses of Rs.17.04 million, the net income is Rs.37.67 million. The asset allocation of NAFA Active Allocation Riba Free Savings Fund as on June 30, 2017 is as follows:



NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 3.60% of opening ex-NAV and the par value during the year.

Taxation

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

Auditors

The present auditors Messrs A.F. Ferguson & Co. Chartered Accountants retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2018.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

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 Fullerton Asset Management Limited

Chief Executive

Director

Date: September 15, 2017
Place: Karachi.

ڈائریکٹرز رپورٹ

این بی پی فلٹرن ایسیٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA ایکٹیو ایلوکیشن ربا فری سیونگز فنڈ (NAARFSF) کی دوسری سالانہ رپورٹ برائے سال ختمہ 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

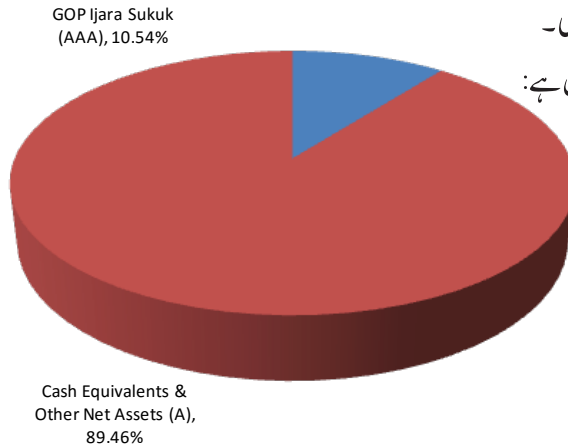
NAFA ایکٹیو ایلوکیشن ربا فری سیونگز فنڈ (NAARFSF) اس مدت کے دوران کا سائز 997 ملین روپے سے گھٹ کر 955 ملین روپے ہو گیا، یعنی تقریباً 4% کی کمی۔ زیر جائزہ مدت کے دوران فنڈ کے پونٹ کی قیمت 30 جون 2016 کو 9.6456 روپے (Ex-Div) سے بڑھ کر 30 جون 2017 کو 10.0154 روپے ہو چکی ہے، لہذا فنڈ نے اسی مدت میں 3.12% پیچ مارک منافع کے مقابلے میں 3.83% کا منافع دیا۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

(NAARFSF) ایک اسلامک انکم اسکیم ہے جس کا اسٹاک مارکیٹ سے کوئی براہ راست یا بالواسطہ تعلق نہیں ہے۔ فنڈ کا مقصد اسلامک بینکنگ / کمرشل بینکنگ 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 مپورٹی، ماسوائے حکومت پاکستان کے اجارہ سلوک، 6 ماہ سے تجاوز نہیں کر سکتی۔ حکومت پاکستان کے اجارہ سلوک متغیر شرح شریعہ کمپلائنس سیکورٹیز 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۔

اشیائے خوردنوش کی قیمتوں میں کمی کے سبب CPI کے مطابق مالی سال 2017 میں افراط زر اوسطاً 4.2% رہا۔ سال کے دوران اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی کی شرح 5.75% برقرار رکھی۔ SBP نے چین پاکستان اقتصادی راہداری (CPEC) کے تناظر میں منصوبوں کیلئے سرمایہ کاری کی کارروائیوں میں تیزی آنے کو معاشی صورتحال میں بہتری کا سبب قرار دیا؛ تاہم درآمدات میں اضافہ پر اپنے تحفظات کا اظہار کیا، جس کے ساتھ برآمدات میں بیرون ملک سے رقوم کی ترسیل میں کمی سے کرنٹ اکاؤنٹ کا خسارہ بڑھ گیا۔ SBP کی دانشمندانہ مانیٹری پالیسی کے نتیجے میں شرح سود میں استحکام اور کمی دیکھنے میں آئی؛ جس سے نجی شعبہ کو اپنی گنجائش بڑھانے میں حوصلہ افزائی ہوئی۔ قلیل حکومتی منافع میں 10-5 بنیادی پوائنٹس کے ساتھ بہتری آئی۔ جب کہ طویل مدت کے منافع میں 60-40 بنیادی پوائنٹس کا اضافہ ہوا۔

NAFA ایکٹیو ایلوکیشن ربا فری سیونگز فنڈ (NAARFSF) نے اس سال کے دوران 54.70 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 17.04 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 37.67 ملین روپے رہی۔

فنڈ کی ایسیٹ ایلوکیشن 30 جون 2017 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے اس سال کے دوران میں اوپننگ ex-NAV کے 3.60% (بنیادی قدر کا) 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 سینڈ شیڈول کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2018 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 فلوز 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، ڈیویڈنڈز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔

(۱۱) یونٹ ہولڈنگ کا تفصیلی طرز ان مالیاتی اسٹیٹمنٹس کے نوٹ 21 میں درج ہے۔

(۱۲) ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، ان کے شریک حیات اور چھوٹے بچوں کے، فنڈ کے یونٹس کے کاروبار میں شرکت کی معلومات ان مالیاتی اسٹیٹمنٹس کے نوٹ 19 میں درج ہیں۔

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 اظہارِ تشکر کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

15 ستمبر 2017ء

مقام: کراچی

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

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 Active Allocation Riba Free Savings Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 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 26, 2017

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

FUND MANAGER REPORT

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

Investment Objective of the Fund

To earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shari'ah compliant banks deposits and money market/debt securities.

Benchmark

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

Fund Performance Review

This is the second Annual report since the launch of the Fund on January 18, 2016. The Fund size declined by 4.2% and stands at Rs 955 million as on June 30, 2017. Since its inception, the Fund posted an annualized return of 4.0% versus the benchmark return of 3.6%. This translates into an outperformance of 0.4% p.a. During FY17, the Fund posted 3.83% return versus the benchmark return of 3.12%, thus registering an outperformance of 0.71% p.a. This performance is net of management fee and all other expenses.

NAARFSF is an Islamic Income Scheme with no direct or indirect exposure to stock market. 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.

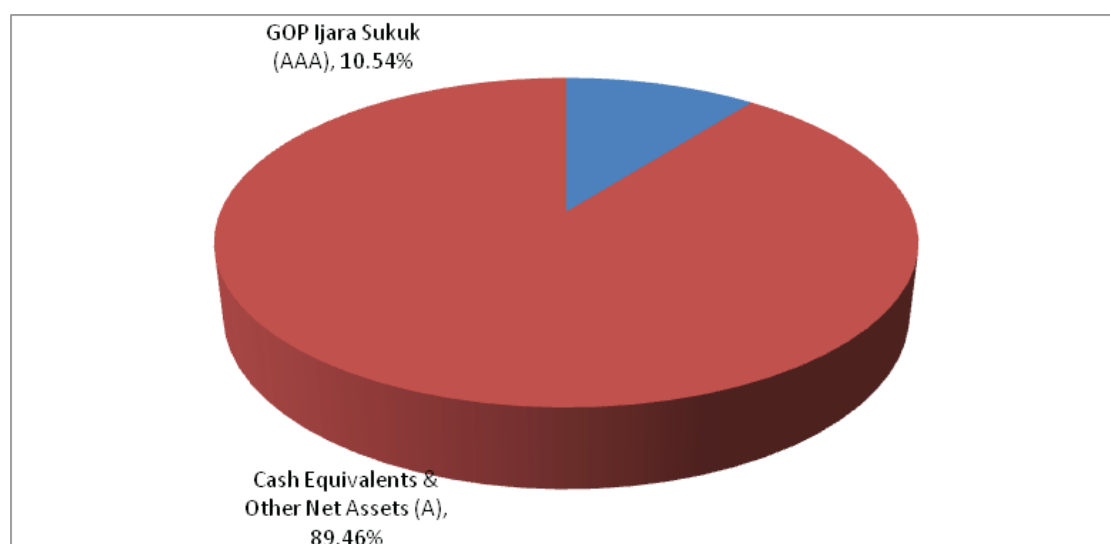
The trading activity in Corporate Sukuks remained skewed towards high quality debt issues with trade value of Rs 3.4 billion in FY17. Scarcity of primary issuance versus elevated demand kept the yields on the high credit quality corporate bonds depressed. Similarly the yield on GoP Ijara Sukuk further dropped amid demand outstripping the supply by a large margin. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

During the year, State Bank of Pakistan (SBP) held six (06) monetary policies and maintained the policy rate at 5.75%. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraged the private sector to undertake capacity expansions. Amid comfortable liquidity conditions, SBP kept the weighted average overnight repo rate close to the policy rate. SBP successfully concluded 03-Year Fixed Rental Rate GOP Ijara Sukuk (GIS-FRR) auction during the year for an amount of Rs. 71 billion and realized in line with the maturity amount at a yield of 5.24%.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-17	30-Jun-16
GOP Ijara Sukuk	10.54	-
Cash (Cash Equivalents) & Other Assets	89.46	100
Total	100	100

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND



Distribution for the Financial Year 2017

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit(Rs.)	Ex- Div. Price(Rs.)
Interim	3.60	10.3533	9.9931

Unit Holding Pattern of NAFA Active Allocation Riba Free Savings Fund as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
5000001-100000000	3
10000001-1000000000	3
Total	6

During the period under question

During the year, the provision for Workers' Welfare Fund held by the fund till June 30, 2015 has been reversed on January 12, 2017. Further, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from May 21, 2015. For further details, refer note 13.1 to the financial statements.

There has been no significant change in the state of affairs of the Fund, other than stated above. NAFA Active Allocation 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. 0.92 million. If the same were not made the NAV per unit/FY17 return of scheme would be higher by Rs. 0.0096/0.01%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2017.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Active Allocation 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, 2017. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 15, 2017
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

Report of the Shari'ah Supervisory Board – NAFA Active Allocation Riba Free Savings Fund

August 21, 2017 /Dhu Al-Qi'dah 28, 1438

Alhamdulillah, the period from July 1, 2016 to June 30, 2017 was the second year of the operations of NAFA Active Allocation Riba Free Savings Fund (NAARFSF). This report is being issued in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

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

On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NAARFSF for the year ended June 30, 2017 are not in compliance with the Shari'ah principles.

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

For and On Behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Active Allocation Riba Free Savings Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (NBP Fullerton Asset Management Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2017 and of its financial performance, its cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 15, 2017
Karachi

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2017

		2017	2016
		Rupees in '000	
	Note		
ASSETS			
Balances with banks	4	852,862	336,226
Investments	5	100,670	-
Profit receivable	6	6,403	2,583
Receivable against sale of units	7	-	660,000
Prepayments and other receivables	8	1,027	791
Preliminary expenses and floatation costs	9	710	910
Total assets		961,672	1,000,510
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	3,614	2,450
Payable to the Central Depository Company of Pakistan Limited - Trustee	11	170	69
Payable to the Securities and Exchange Commission of Pakistan	12	623	230
Accrued expenses and other liabilities	13	1,803	454
Total liabilities		6,210	3,203
NET ASSETS		<u>955,462</u>	<u>997,307</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>955,462</u>	<u>997,307</u>
CONTINGENCIES AND COMMITMENTS			
	14	Number of units	
NUMBER OF UNITS IN ISSUE	15	<u>95,399,191</u>	<u>99,574,255</u>
		Rupees	
NET ASSET VALUE PER UNIT		<u>10.0154</u>	<u>10.0157</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
------(Rupees in '000)-----			
INCOME			
Profit on bank deposits		48,918	19,878
Income on GoP Ijarah Sukuk		14	-
Unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading	5.1	670	-
Total income		49,602	19,878
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	10,391	3,827
Sindh sales tax on remuneration of the Management Company	10.2	1,351	622
Federal excise duty on remuneration of the Management Company	10.3	-	612
Accounting and operational charges	10.4	831	306
Remuneration of Central Depository Company of Pakistan Limited- Trustee	11.1	1,412	521
Sindh sales tax on remuneration of the Trustee	11.2	184	73
Annual fee - Securities and Exchange Commission of Pakistan	12.1	623	230
Amortisation of preliminary expenses and floatation cost	9	200	90
Auditors' remuneration	16	405	150
Annual rating fee		176	76
Shariah advisory fee		422	190
Legal and professional charges		43	-
Bank charges		79	41
Total expenses		16,117	6,738
Net income from operating activities		33,485	13,140
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		5,102	(5,569)
Provision for Sindh Workers' Welfare Fund	13.1	(920)	-
Net income for the year / period before taxation		37,667	7,571
Taxation	17	-	-
Net income for the year / period after taxation		37,667	7,571

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
--	---	--

----- (Rupees in '000) -----

Net income for the year / period after taxation	37,667	7,571
Other comprehensive income for the year / period	-	-
Total comprehensive Income for the year / period	<u>37,667</u>	<u>7,571</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
----- (Rupees in '000) -----	

Undistributed income at the beginning of the year / period comprising of:

- Realised income	1,565	-
- Unrealised income	-	-
	<u>1,565</u>	<u>-</u>
Net income for the year / period after taxation	37,667	7,571
Final cash distribution:		
- Re 0.0226 per unit declared on September 23, 2016 (2016: Rs Nil)	(1,499)	-
Interim cash distribution:		
- Re 0.3602 per unit declared on June 19, 2017 (2016: Re 0.1816 per unit)	(35,541)	(6,006)
Undistributed income carried forward	<u>2,192</u>	<u>1,565</u>

Undistributed income carried forward comprising of:

- Realised income	1,522	1,565
- Unrealised income	670	-
	<u>2,192</u>	<u>1,565</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2017

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
	----- (Rupees in '000) -----	
Net assets at the beginning of the year / period	997,307	-
Issue of 242,819,399 units (2016: 190,825,640 units)	2,469,523	1,915,588
Redemption of 246,994,463 units (2016: 91,251,385 units)	(2,506,893)	(925,415)
	(37,370)	990,173
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed-transferred to income statement - net	(5,102)	5,569
Unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading	670	-
Other net income for the year / period	36,997	7,571
Net income for the year / period	37,667	7,571
Final cash distribution:		
- Re 0.0226 per unit declared on September 23, 2016 (2016: Rs Nil)	(1,499)	-
Interim cash distribution:		
- Re 0.3602 per unit declared on June 19, 2017 (2016: Re 0.1816 per unit)	(35,541)	(6,006)
Net assets at the end of the year / period	955,462	997,307

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

Note	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
----- (Rupees in '000) -----		
Net income for the year / period before taxation	37,667	7,571
Adjustments for:		
Amortisation of preliminary expenses and floatation costs	200	90
Provision for Sindh Workers' Welfare Fund	920	-
Profit on bank deposits	(48,918)	(19,878)
Income on GoP Ijarah Sukuk	(14)	-
Unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading	(670)	-
Federal Excise Duty on the remuneration of the Management Company	-	612
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(5,102)	5,569
	(53,584)	(13,607)
Decrease in assets		
Prepayments and other receivables	(236)	(791)
Investments	(100,000)	-
	(100,236)	(791)
Increase in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management Company	1,164	838
Payable to the Central Depository Company of Pakistan Limited - Trustee	101	69
Payable to the Securities and Exchange Commission of Pakistan	393	230
Accrued expenses and other liabilities	429	454
	2,087	1,591
Profit received on bank deposits	45,112	17,295
Net cash (used in) / generated from operating activities	<u>(68,954)</u>	<u>12,059</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	3,129,523	1,255,588
Payments on redemption of units	(2,506,893)	(925,415)
Cash distribution	(37,040)	(6,006)
Net cash generated from financing activities	585,590	324,167
Net increase in cash and cash equivalents during the year / period	516,636	336,226
Cash and cash equivalents at the beginning of the year / period	336,226	-
Cash and cash equivalents at the end of the year / period	<u>852,862</u>	<u>336,226</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Active Allocation Riba Free Savings Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on November 3, 2015 and was approved by the Securities and Exchange Commission of Pakistan (SECP), under the Non-Banking Finance Companies and Notified entities Regulations, 2008 (the NBFC Regulations).

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 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an Open-End "Shariah Compliant Income Scheme" as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).

The objective of the Fund is to earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shari'ah compliant banks deposits and money market / debt securities.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 to the Management Company as at April 21, 2017. The Fund has been rated A-(f) with stable outlook as at July 12, 2017.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

The Fund's pre-IPO investment was received on January 18, 2016. As per the offering document, only Fund of Funds managed by the NBP Fullerton Asset Management Limited may subscribe for the units of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2016 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following standards, amendments and interpretations with respect to approved accounting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS 9 – Financial Instruments	January 1, 2018
- IFRS 15 – Revenue from contracts with customers	January 1, 2018
- IFRS 16 – Leases	January 1, 2019

2.3.1 The impact of standards, interpretations and amendments to published approved accounting standards that are not yet effective is yet to be determined by the Management Company of the Fund.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

2.3.2 The SECP vide its SRO 756(1) / 2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations, 2008 which will be applicable on the financial statements of the Fund from the accounting year ending on June 30, 2018. 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, 2008. In addition there are certain changes in the disclosure requirements relating to the Income Statement and the Statement of Movement in Unit Holders' Fund. The management is currently in the process of assessing the impact of these changes on the financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- classification and valuation of investment (note 3.2 and 5)
- impairment of financial assets (note 3.2.5)
- taxation (note 3.7 and 17)

2.5 Accounting convention

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

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and those investments which are readily convertible to known amounts of cash subject to an insignificant risk of changes of values and have original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are classified as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading instruments and such other instruments that upon initial recognition are designated under this category.

b) Loans and receivables

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

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

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 (a) financial assets at fair value through profit or loss or (b) loans and receivables.

3.2.2 Regular way contracts

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

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

3.2.4 Subsequent measurement

a) Financial assets at fair value through profit or loss and available for sale

Subsequent to initial recognition, financial assets classified as "at fair value through profit or loss" and "available for sale" are valued as follows:

- Basis of valuation of debt securities

Investments in Shariah compliant debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates the MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The methodology also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

- Basis of valuation of government securities

Investments in government securities are valued on the basis of rates published by MUFAP.

Net gains and losses arising from the changes in the fair value and on sale of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in the fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is shown as part of net income for the year.

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 recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

The amount of provision for certain debt securities is determined based on the provisioning criteria specified by the SECP.

For certain other financial assets, 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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

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.

3.3 Financial liabilities

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

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

3.4 Offsetting of financial assets and liabilities

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

3.5 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 amount of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.7 Taxation

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

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.

3.8 Proposed distribution

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

3.9 Issue and redemption of units

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

Units redeemed are recorded at the redemption price, as per the constitutive documents, applicable to units for which redemption requests have been received during business hours of that day. The redemption price represents daily Net Asset Value (NAV) announced as of the close of the business day less any back end load, provisions for transaction costs and any provision for duties and charges, if applicable.

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

An equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element is determined based on the income / (loss) incurred during the year including income / (loss) arising as a result of unrealised appreciation / (diminution) on available for sale securities.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting year which pertains to element arising as a result of unrealised appreciation / (diminution) on available for sale investments in the distribution statement. The remaining portion of the element is recognised in the income statement.

3.11 Earnings per unit

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

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

3.12 Net assets value per unit

The Net Asset Value per unit as disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year / period end.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as ' Financial assets at fair value through profit or loss ' are included in the income statement in the year / period in which they arise.
- Profit on bank deposits, investments in debt securities and income from government securities is recognised using the effective interest method.

3.14 Expenses

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

	Note	2017	2016
-----Rupees in '000-----			
BALANCES WITH BANKS			
Profit and loss savings accounts	4.1	<u>852,862</u>	<u>336,226</u>

- 4.1 This includes balance of Rs 6.047 million (2016: Nil) maintained with BankIslami Pakistan Limited (a related party) that carries profit at 5.60% per annum (2016: Nil). Other profit and loss sharing accounts of the Fund carry profit rates ranging from 5.80% to 6.5% per annum (2016: 5.75% to 7% per annum).

	Note	2017	2016
-----Rupees in '000-----			

5 INVESTMENTS

Financial assets 'at fair value through profit or loss' - held-for-trading

Government Securities - GoP Ijarah Sukuk	5.1	<u>100,670</u>	<u>-</u>
--	-----	----------------	----------

5.1 Government Securities - GoP Ijarah Sukuk

Issue date	Coupon rate / tenor	Number of certificates				Market value as at June 30, 2017	Investment as a percentage of	
		As at July 1, 2016	Purchased during the year	Matured during the year	As at June 30, 2017		Net assets	Market value of total investment
June 30, 2017	5.24	-	20,000	-	20,000	100,670	0.011	100
	June 30, 2020	-	20,000	-	20,000	<u>100,670</u>		
Carrying value as at June 30, 2017						<u>100,000</u>		
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net as at June 30, 2017						<u>670</u>		

	Note	2017	2016
-----Rupees in '000-----			

6 PROFIT RECEIVABLE

Profit accrued on profit and loss savings accounts
Income receivable on GoP Ijarah Sukuk

	6.1	6,389	2,583
		14	-
		<u>6,403</u>	<u>2,583</u>

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

6.1 This includes amount of Rs 0.533 million (2016: Nil) as profit receivable from BankIslami Pakistan Limited (a related party).

7 RECEIVABLE AGAINST SALE OF UNITS

This represented 65,896,542 units amounting to Rs 660 million sold to NAFA Islamic Active Allocation Fund-I (Plan III).

	Note	2017	2016
-----Rupees in '000-----			
8 PREPAYMENTS AND OTHER RECEIVABLES			
Tax withheld on profit on bank deposits		921	791
Prepaid mutual fund rating fee		106	-
		<u>1,027</u>	<u>791</u>
9 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs incurred		1,000	1,000
Less: accumulated amortisation	9.1	<u>(290)</u>	<u>(90)</u>
Closing balance		<u>710</u>	<u>910</u>

9.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of five years commencing from January 19, 2016 as per the requirements set out in the Trust Deed of the Fund.

	Note	2017	2016
-----Rupees in '000-----			
10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	10.1	1,016	442
Sindh sales tax on remuneration of the Management Company	10.2	132	72
Federal excise duty on remuneration of the Management Company	10.3	612	612
Preliminary expenses and floatation costs		1,000	1,000
Accounting and operational charges	10.4	831	306
Other payable		23	18
		<u>3,614</u>	<u>2,450</u>

10.1 The Management Company has charged remuneration at the rate of 1.25% (2016: 1.25%) per annum based on the daily net assets of the Fund. The remuneration is payable to the Management Company monthly in arrears.

10.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 13% (2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

10.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016. In view of the above, the Fund has discontinued making further provision in respect of FED on management fee from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2017 aggregating Rs 0.612 million (2016: Rs 0.612 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2017 would have been higher by Re 0.0064 (2016: Re 0.0062) per unit.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

- 10.4 The SECP vide SRO No 1160 (1) / 2015 dated November 25, 2015 introduced amendments in the NBFC regulations. As a result of these amendments, the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to collective investment schemes upto a maximum of 0.1% of the average annual net assets of the scheme or actual whichever is less. Based on these requirements, the Management Company has charged accounting and operational charges of 0.1% of the average annual net assets amounting to Rs 0.831 million (2016: Rs 0.306 million) to the Fund for the year ended June 30, 2017.

	Note	2017	2016
		-----Rupees in '000-----	
11 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE			
Remuneration payable to the Trustee	11.1	150	61
Sindh sales tax on Trustee remuneration	11.2	20	8
		<u>170</u>	<u>69</u>

- 11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears. Based on the Trust Deed, the tariff structure applicable to the Fund during the year / period ended June 30, 2017 is as follows:

Net Assets	Tariff per annum
Upto Rs 1,000 million	0.17% p.a of the net assets
Rs 1,000 million to Rs 5,000 million	Rs 1.7 million plus 0.085% p.a. of the net assets exceeding Rs 1,000 million
Over 5,000 million	Rs 5.1 million plus 0.07% p.a of the net assets exceeding Rs 5,000 million

- 11.2 Sindh Sale Tax at 13% (2016: 14%) is charged on Trustee fee.

	Note	2017	2016
		-----Rupees in '000-----	
12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	12.1	<u>623</u>	<u>230</u>

- 12.1 This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% per annum of the average daily net assets of the Fund in accordance with regulation 62 of the NBFC Regulations.

	Note	2017	2016
		-----Rupees in '000-----	
13 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers Welfare Fund	13.1	920	-
Auditors' remuneration		227	150
Shariah advisory fee		423	190
Annual rating fee		171	76
Legal fee		13	-
Withholding tax payable		35	9
Bank charges		14	29
		<u>1,803</u>	<u>454</u>

- 13.1 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, is 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 has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

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In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP on January 12, 2017 recommended all its members that as a matter of abundant caution the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Accordingly, on January 12, 2017 the provision for SWWF was made by the Fund for the period from January 18, 2016 to January 12, 2017. Thereafter, the provision for SWWF is being made by the Fund on a daily basis going forward.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re 0.0096 per unit.

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2017 and June 30, 2016.

	2017	2016
	-----Number of units-----	
15 NUMBER OF UNITS IN ISSUE		
Total units in issue as at July 1	99,574,255	-
Add: units issued during the year / period	242,819,399	190,825,640
Less: units redeemed during the year / period	<u>246,994,463</u>	<u>91,251,385</u>
Total units in issue as at June 30	<u>95,399,191</u>	<u>99,574,255</u>
	2017	2016
	-----Rupees in '000-----	
16 AUDITORS' REMUNERATION		
Annual audit fee and other certification	192	150
Half yearly review fee	65	-
Out of pocket expenses	<u>148</u>	<u>-</u>
	<u>405</u>	<u>150</u>

17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. 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. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

18 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ended June 30, 2017 is 2.05% which includes 0.37% representing government levies on the Fund such as sales taxes, Sindh Workers' Welfare Fund, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an "Income" scheme.

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

19.1 Related parties / connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and key management personnel of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

19.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

19.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC regulations and the Trust Deed.

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19.5 Details of transactions with related parties / connected persons are as follows:

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	10,391	3,827
Sindh sales tax on remuneration of the Management Company	1,351	622
Federal excise duty on remuneration of the Management Company	-	612
Accounting and operational charges	831	306
Preliminary expenses paid by the Management Company	-	1,000
NAFA Islamic Active Allocation Fund- I (Plan I)		
Units issued during the year 18,407,387 (2016: 81,921,129)	187,048	822,664
Units redeemed during the year 28,062,912 (2016: 64,636,772)	286,183	655,844
NAFA Islamic Active Allocation Fund- I (Plan II)		
Units issued during the year 12,999,522 (2016: 43,007,969)	132,247	432,924
Units redeemed during the year 23,769,548 (2016: 26,614,614)	242,001	269,570
NAFA Islamic Active Allocation Fund- I (Plan III)		
Units issued during the year 44,408,860 (2016: 65,896,542)	447,623	660,000
Units redeemed during the year 97,902,868 (2016: Nil)	987,868	-
NAFA Islamic Active Allocation Fund- I (Plan IV)		
Units issued during the year 55,377,456 (2016: Nil)	560,416	-
Units redeemed during the year 48,376,868 (2016: Nil)	492,026	-
NAFA Islamic Active Allocation Fund- I (Plan V)		
Units issued during the year 78,356,632 (2016: Nil)	798,621	-
Units redeemed during the year 48,882,267 (2016: Nil)	498,815	-
NAFA Islamic Active Allocation Fund- II (Plan VI)		
Units issued during the year 33,269,542 (2016: Nil)	343,567	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,412	521
Sindh sales tax on remuneration of Trustee	184	73
BankIslami Pakistan Limited		
Profit income	10,784	-

19.5.1 The dividend given by the Fund during the year has been reinvested in units of the Fund.

	2017	2016
	-----Rupees in '000-----	
19.6 Amounts / balances outstanding as at year / period end:		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	1,016	442
Sindh sales tax on remuneration of the Management Company	132	72
Federal excise duty on remuneration of the Management Company	612	612
Preliminary expenses and floatation costs	1,000	1,000
Accounting and operational charges	831	306
Other payable	23	18
NAFA Islamic Active Allocation Fund- I (Plan I)		
Units held 7,628,832 (2016: 17,284,357)	76,406	173,115
NAFA Islamic Active Allocation Fund- I (Plan II)		
Units held 5,623,329 (2016: 16,393,355)	56,320	164,191
NAFA Islamic Active Allocation Fund- I (Plan III)		
Units held 12,402,534 (2016: 65,896,542)	124,216	660,000
Receivable against sale of units	-	660,000

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

	2017	2016
	-----Rupees in '000-----	
NAFA Islamic Active Allocation Fund- I (Plan IV) Units held 7,000,588 (2016: Nil)	70,114	-
NAFA Islamic Active Allocation Fund- I (Plan V) Units held 29,474,366 (2016: Nil)	295,198	-
NAFA Islamic Active Allocation Fund- II (Plan VI) Units held 33,269,542 (2016: Nil)	333,208	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	150	61
Sindh sales tax on remuneration of Trustee	20	8
BankIslami Pakistan Limited		
Balance with bank	6,047	-
Profit receivable	533	-

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund as at June 30, 2017 are as follows:

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, CFA & MBA	29
2	Mr. Sajjad Anwar	CFA / MBA Finance	17
3	Mr. Muhammad Ali Bhabha*	CFA / MBA / FRM / MS	22
4	Mr. Hassan Raza	ACCA / BSC / CFA	6
5	Mr. Taha Khan Javed	MBA / CFA	11

*Mr. Muhammad Ali Bhabha is the Fund Manager of the Fund. He is also the Fund manager of NAFA Government Securities Liquid Fund, NAFA Government Securities Savings Fund, NAFA Money Market Fund, NAFA Savings Plus Fund, NAFA Riba Free Savings Fund, NAFA Islamic Income Fund, NAFA Income Opportunity Fund, NAFA Financial Sector Income Fund and NAFA Income Fund.

21 PATTERN OF UNIT HOLDING

-----June 30, 2017-----			
Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Associated companies / undertakings and directors*	2	955,462	100.00%

Associated companies / undertakings and directors*

*This represents investment made by NAFA Islamic Active Allocation Fund - I (Plan I, Plan II, Plan III, Plan IV, plan V) and NAFA Islamic Active Allocation Fund - II (Plan VI).

-----June 30, 2016-----			
Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Associated companies / undertakings and directors*	1	997,307	100.00%

Associated companies / undertakings and directors*

*This represents investment made by NAFA Islamic Active Allocation Fund - I (Plan I, Plan II, Plan III).

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 60th, 61st, 62nd and 63rd Board meetings were held on September 23, 2016, October 28, 2016, February 28, 2017 and April 28, 2017 respectively. Information in respect of attendance by directors in the meetings is given below:

Category	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	4	4	-	-
Mr. Aamir Sattar	4	4	-	-
Mr. Abdul Hadi Palekar	4	3	1	61st
Mr. Koh Boon San [note 22.1]	2*	2	-	-
Mr. Lui Mang Yin (Martin Lui)	4	4	-	-
Dr. Foo Chiah Shiung (Kelvin Foo) [note 22.2]	2*	1	1	63rd
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	3	1	62nd
Mr. Saiyed Hashim Ishaque [note 22.3]	3*	3	-	-
Mr. Humayun Bashir [note 22.4]	1*	1	-	-
Dr. Amjad Waheed	4	4	-	-

22.1 Mr. Koh Boon San retired in Extra Ordinary General Meeting held on November 21, 2016.

22.2 Dr. Foo Chiah Shiung (Kelvin Foo) appointed as director on the Board with effect from November 21, 2016.

22.3 Mr. Saiyed Hashim Ishaque retired in Extra Ordinary General Meeting held on March 17, 2017.

22.4 Mr. Humayun Bashir appointed as director on the Board with effect from March 17, 2017.

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

23 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30, 2017-----

Particulars	Liabilities 'at fair value through profit and loss'	Financial assets 'at fair value through profit or loss	Total
-------------	---	--	-------

Financial assets

Balances with banks	852,862	-	852,862
Investments	-	100,670	100,670
Profit receivable	6,403	-	6,403
	<u>859,265</u>	<u>100,670</u>	<u>959,935</u>

-----June 30, 2017-----

Particulars	Liabilities 'at fair value through profit and loss'	At amortised cost	Total
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Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	3,614	3,614
Payable to Central Depository Company of Pakistan - Trustee	-	170	170
Accrued expenses and other liabilities	-	848	848
	<u>-</u>	<u>4,632</u>	<u>4,632</u>

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

-----June 30, 2016-----

Particulars	Liabilities 'at fair value through profit and loss'	Financial assets 'at fair value through profit or loss	Total
-------------	---	--	-------

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

Financial assets

Balances with banks	336,226	-	336,226
Profit receivable	2,583	-	2,583
Receivable against issue of units	660,000	-	660,000
	<u>998,809</u>	<u>-</u>	<u>998,809</u>

-----June 30, 2016-----

Particulars	Liabilities 'at fair value through profit and loss'	At amortised cost	Total
-------------	---	-------------------	-------

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	2,450	2,450
Payable to Central Depository Company of Pakistan - Trustee	-	69	69
Accrued expenses and other liabilities	-	445	445
	<u>-</u>	<u>2,964</u>	<u>2,964</u>

24 FINANCIAL RISK MANAGEMENT

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

24.1 Market risk

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

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the SECP.

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

24.1.1 Currency risk

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

24.1.2 Yield / Profit rate risk

Profit 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 profit rates. The profit rate profile of the Fund's profit bearing financial instruments is as follows:

	Note	2017	2016
-----Rupees in '000-----			
Variable rate instrument (financial assets)			
Balances with banks	4.1	852,862	336,226
Government securities - GoP Ijara Sukuk	5.1	<u>100,670</u>	<u>-</u>
		<u>953,532</u>	<u>336,226</u>

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in profit rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 9.535 million (2016: Rs 3.362 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

None of the Fund's liabilities are subject to interest rate risk.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that may expose the Fund to any material profit rate risk.

Yield / profit rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

As at June 30, 2017

Particulars	Effective profit rate %	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/ Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	

------(Rupees in '000)-----

On-balance sheet financial instruments

Financial assets

Balances with banks	5.8 -6.5	852,862	852,862	-	-	-
Investments	5.24	100,670	-	-	100,670	-
Profit receivable		6,403	-	-	-	6,403
		959,935	852,862	-	100,670	6,403

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		3,614	-	-	-	3,614
Payable to the Central Depository Company of Pakistan Limited - Trustee		170	-	-	-	170
Accrued expenses and other liabilities		848	-	-	-	848
		4,632	-	-	-	4,632

On-balance sheet gap

		955,303	852,862	-	100,670	1,771
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Total profit rate sensitivity gap

		955,303	852,862	-	100,670	1,771
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Cumulative interest rate sensitivity gap

		852,862	852,862	953,532
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As at June 30, 2016

Particulars	Effective profit rate %	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/ Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	

------(Rupees in '000)-----

On-balance sheet financial instruments

Financial assets

Balances with banks	5.75 -7	336,226	336,226	-	-	-
Profit receivable		2,583	-	-	-	2,583
Receivable against issue of units		660,000	-	-	-	660,000
		998,809	336,226	-	-	662,583

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		2,450	-	-	-	2,450
Payable to the Central Depository Company of Pakistan Limited - Trustee		69	-	-	-	69
Accrued expenses and other liabilities		445	-	-	-	445
		2,964	-	-	-	2,964

On-balance sheet gap

		995,845	336,226	-	-	659,619
--	--	---------	---------	---	---	---------

Total profit rate sensitivity gap

		995,845	336,226	-	-	659,619
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Cumulative interest rate sensitivity gap

		336,226	336,226	336,226
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NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

24.1.3 Price Risk

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

As at the reporting date, the Fund is not exposed to price risk as no equity securities are held by the Fund.

24.1.4 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 balances with banks, investments and profit receivable. The credit risk on balances with banks is limited because the counter parties are financial institutions with reasonably high credit ratings. The Fund does not foresee any credit risk with respect to investment in government securities as these represent the interest of the Government of Pakistan.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's financial assets:

24.1.5 Credit rating

-----June 30, 2017-----			
Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
United Bank Limited	JCR-VIS	A-1+	47.35%
Habib Bank Limited	JCR-VIS	A-1+	0.09%
Habib Metropolitan Bank Limited	PACRA	A1+	0.71%
Allied Bank Limited	PACRA	A1+	-*
Soneri Bank Limited	PACRA	A1+	0.05%
Bank Islami Pakistan Limited	PACRA	A1	51.74%
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	-*
Al Baraka Bank Pakistan Limited	JCR-VIS	A-1	-*
Silk Bank Limited	JCR-VIS	A-2	0.06%
			100%

*Nil value due to rounding off difference

24.1.6 Credit rating

-----June 30, 2016-----			
Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
United Bank Limited	JCR-VIS	AAA	-*
Habib Bank Limited	JCR-VIS	AAA	52.05%
Bank Islami Pakistan Limited	PACRA	A+	1.67%
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A+	0.15%
Silk Bank Limited	JCR-VIS	A-	46.13%
Burj Bank Limited	JCR-VIS	BBB+	-*
			100%

*Nil value due to rounding off difference

24.1.7 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 is mainly concentrated in bank balances with commercial banks.

The Fund's major asset balance is held with two banks. The management believes that these are credit-worthy counterparties.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

24.1.8 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.

The units of the Fund are only subscribed by the Fund of Funds scheme being managed by the Management Company. 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 profit and loss savings accounts and government securities which are considered readily realisable.

In addition, the Fund has the ability to borrow, with prior approval of the trustee, for meeting redemption. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayments within 90 days of such borrowings. However, no borrowings were obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any 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, 2017-----				
Particulars	Total	Upto three months	More than three months and upto one year	More than one year
-----Rupees in '000-----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	3,614	3,614	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	170	170	-	-
Accrued expenses and other liabilities	848	848	-	-
	<u>4,632</u>	<u>4,632</u>	<u>-</u>	<u>-</u>

-----As at June 30, 2016-----				
Particulars	Total	Upto three months	More than three months and upto one year	More than one year
-----Rupees in '000-----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	2,450	2,450	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	69	69	-	-
Accrued expenses and other liabilities	445	445	-	-
	<u>2,964</u>	<u>2,964</u>	<u>-</u>	<u>-</u>

25 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 on the 'Statement of Movement in Unit holders' Fund'.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

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26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying values as the items are either short term in nature or periodically repriced.

Fair value of investments is determined as follows:

- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.
- The fair values of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

26.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Fair value measurements using quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2017, the Fund held the following financial instruments measured at fair value:

	As at June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Assets				
Investment - financial assets 'at fair value through profit or loss' - net				
- GoP Ijarah Sukuk	-	100,670	-	100,670

27 GENERAL AND CORRESPONDING FIGURES

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

27.2 Corresponding figures have been reclassified and rearranged in these financial statements, wherever necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statements.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 15, 2017.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

PERFORMANCE TABLE








Particulars	For the year ended June 30, 2017	For the year ended June 30, 2016
Net assets at the year / period ended (Rs '000)	955,462	997,307
Net income for the year / period ended (Rs '000)	37,667	7,571
Net Asset Value per unit at the year / period ended (Rs)	10.0154	10.0157
Offer Price per unit	-	-
Redemption Price per unit	10.0154	10.0157
Ex - Highest offer price per unit (Rs.)	-	-
Ex - Lowest offer price per unit (Rs.)	-	-
Ex - Highest redemption price per unit (Rs.)	10.0154	10.0096
Ex - Lowest redemption price per unit (Rs.)	9.6673	9.8229
Opening NAV (Since Inception January 18, 2016)	9.6456	9.8218
Total return of the fund	3.83%	1.97%
Capital growth	0.10%	-0.10%
Income distribution as % of Ex nav	3.73%	2.08%
Income distribution as % of Par nav	3.60%	2.04%
Distribution		
Interim distribution per unit	0.3602	0.1816
Final distribution per unit	-	0.0226
Distribution Dates		
Interim		29-Jun-16
Final	19-Jun-17	23-Sep-16
Average annual return of the fund (launch date January 18, 2016)		
(Since inception to June 30, 2017)	4.02%	
(Since inception to June 30, 2016)		4.39%
Portfolio Composition (Please see Fund Manager Report)		
Weighted average portfolio duration	106 Days	1 Day
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>		



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