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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 2016



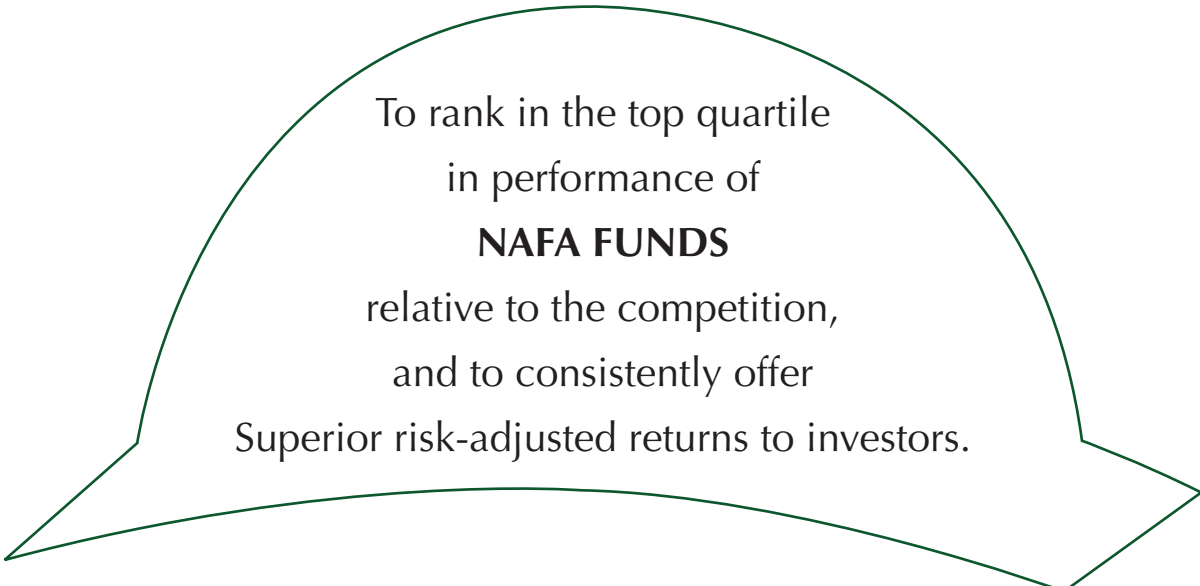
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**FULLERTON FUND
MANAGEMENT**

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. Nausherwan Adil | Chairman |
| Dr. Amjad Waheed | Chief Executive Officer |
| Mr. Nigel Poh Cheng | Director |
| Mr. Koh Boon San | Director |
| Mr. Kamal Amir Chinoy | Director |
| Mr. Shehryar Faruque | Director |
| Mr. Aamir Sattar | Director |
| Mr. Abdul Hadi Palekar | Director |

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

| | |
|----------------------|----------|
| Mr. Shehryar Faruque | Chairman |
| Mr. Koh Boon San | Member |
| Mr. Aamir Sattar | Member |

Human Resource and Remuneration Committee

| | |
|-----------------------|----------|
| Mr. Nausherwan Adil | Chairman |
| Mr. Nigel Poh Cheng | Member |
| Mr. Kamal Amir Chinoy | 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
Burj Bank Limited
Habib Bank Limited
National Bank of Pakistan
United Bank Limited
Dubai Islamic Bank Limited
Silk 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



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Nigel Poh Cheng
Director



Mr. Abdul Hadi Palekar
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



Syed Suleman Akhtar CFA
Head of Research



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



Mr. Asim Wahab Khan, CFA
Head of Equity



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman ACA, CICA
Senior Manager Compliance

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the First Annual Report of **NAFA Active Allocation Riba Free Savings Fund** for the year ended June 30, 2016.

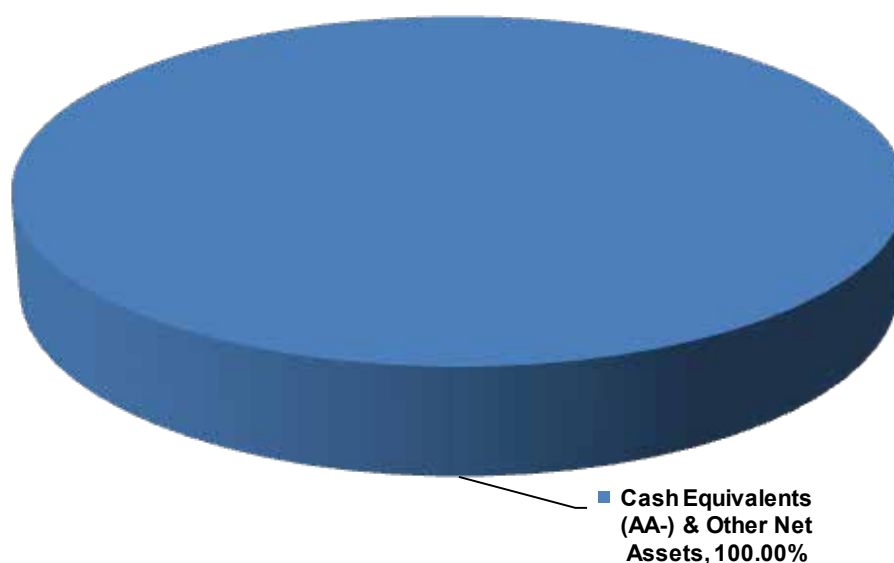
Fund's Performance

The size of NAFA Active Allocation Riba Free Savings Fund stands at Rs.997 million as at June 30, 2016. Since inception, the unit price of the Fund has increased from Rs. 9.8218 (Ex-Div) on January 18, 2016 to Rs. 10.0157 on June 30, 2016, thus posting a return of 4.39% as compared to its Benchmark (Average of 6-Month deposit rates of A- & above rated Islamic banks) return of 4.66% 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 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.

On the corporate debt sphere, trading activity in TFCs/Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. During the period under review (FY16), due to further abatement in inflationary pressures (average inflation of 2.9%), State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps following a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 6% by FY17 year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

The Fund has earned a total income of Rs.14.31 million during the year. After deducting total expenses of Rs.6.74 million, the net income is Rs.7.57 million. The asset allocation of NAFA Riba Free Savings Fund as on June 30, 2016 is as follows:



NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

Income Distribution

The Board of Directors of the Management Company has approved an interim cash dividend of 1.82% of the par value during the year. Further, The Board has also approved final cash dividend of 0.23% of the par value, subsequent to year end.

Taxation

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

Auditors

The present auditors Messrs A.F. Ferguson & Co. Chartered Accountants retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2017.

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 three meetings during the period. The attendance of all directors is disclosed in the note 20 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 19 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 17 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 23, 2016
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 30 جون 2016ء کو ختم ہونے والے سال کے لیے NAFA ایکٹیو ایلوکیشن ربا فری سیونگز فنڈ کی پہلی سالانہ رپورٹ پیش کرتا ہے۔

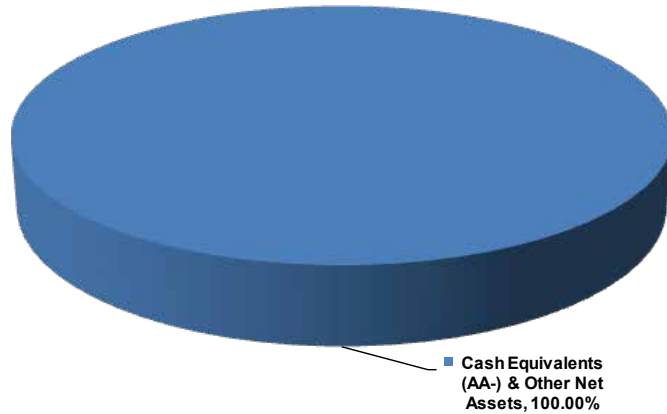
فنڈ کی پرفارمنس

NAFA ایکٹیو ایلوکیشن ربا فری سیونگز فنڈ کا حجم بمطابق 30 جون 2016، 997 ملین روپے ہے۔ اپنے قیام سے اب تک فنڈ کی قیمت 18 جنوری 2016 کو 9.8218 روپے (Ex-Div) سے 30 جون 2016 کو 10.0157 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے اپنے بیچ مارک منافع (-) اور زیادہ ریٹنگ والے اسلامک بینکس کے 6 ماہ کے ڈپازٹ ریٹس کا اوسط) 4.66% کے مقابلے میں 4.39% منافع درج کرایا۔ فنڈ کا منافع منجمنٹ فیس اور دیگر 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 بینکس / کمرشل بینکس کی اسلامک ونڈز کی پیش کردہ منافع کی شرحوں کے مقابلے میں تو اترا سے بہتر منافع فراہم کرنا ہے، جب کہ اعلیٰ کوالٹی کے کریڈٹ پروفائل کے ساتھ آسان لیکویڈیٹی بھی مہیا کرنا ہے۔ کسی واحد انسٹرومنٹ کی میچورٹی، ماسوائے حکومت پاکستان کے اجارہ صکوک، 6 ماہ سے تجاوز نہیں کر سکتی۔ حکومت پاکستان کے اجارہ صکوک فلوئنگ ریٹ والے شریعہ کمپلائنس سکیورٹیز ہیں جو ماہانہ کوپن ری سیٹس کی حامل ہیں۔ اس سے پرائسنگ کارسک کم ہو جاتا ہے۔

کاروباری قرض کے حلقے میں TFCs / صکوک میں تجارتی سرگرمیوں کے اعلیٰ کوالٹی اجرائی کارروائیوں کی طرف جھکاؤ کے ساتھ مجموعی تجارتی حجم نے لگ بھگ 8 ارب روپے کو چھولیا۔ لین دین کا اصل ارتکاز بینکاری کے شعبے میں رہا جس کا حصہ 43% بنتا ہے۔ زیر جائزہ مدت (مالی سال 2016) کے دوران، افراط زر کے دباؤ میں مزید کمی کے ساتھ (اوسط افراط زر 2.9%)، اسٹیٹ بینک آف پاکستان نے مالی سال 2015 میں پالیسی ریٹ میں 300 بنیادی پوائنٹس کی مجموعی کمی کے بعد 75 بنیادی پوائنٹس مجموعی طور پر مزید کم کر دیے۔ SBP نے اپنے پالیسی بیان میں درج ذیل کی نشان دہی کی ہے (i) مجموعی معاشی حالات میں بہتری (ii) امن و امان کی بہتر صورت حال اور (iii) چین پاکستان اقتصادی راہداری (CPEC) کے تحت سرمایہ کاری کی بدولت نمو کے مثبت امکانات۔ زیر جائزہ مدت کے دوران آزادانہ منافع جات نے پالیسی ریٹ میں 75 بنیادی پوائنٹس کمی کے مطابق رد عمل دکھایا۔ ہم مالی سال 2017 کے آخر تک اشیائے صرف کی قیمتوں کی جزوی بحالی، پاکستانی روپے کی قدر میں محدود کمی اور نجی شعبے کے قرضوں میں اضافے کی وجہ سے افراط زر کو 6% تک بڑھتا دیکھ رہے ہیں۔

فنڈ نے سال کے دوران 14.31 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 6.74 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 7.57 ملین روپے ہے۔ NAFA ربا فری سیونگز فنڈ کی ایسیٹ ایلوکیشن 30 جون 2016 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران مساوی ویلیو کا 1.82% کیش ڈیویڈنڈ منظور کیا ہے۔ مزید برآں سال کے اختتام کے بعد بورڈ آف ڈائریکٹرز نے 0.23% حتمی کیش ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

جیسا کہ مندرجہ بالا کیش ڈیویڈنڈ، انویسٹمنٹس کے تصرف شدہ اور غیر تصرف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس

آڈیٹرز

موجودہ آڈیٹرز M/S اے ایف فرگن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور برنئے اہلیت، خود کو ختمہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

کوڈ آف کارپوریٹ گوررننس 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 تین اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CFO، CEO، 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 17 میں ظاہر کی گئی ہے۔

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 ٹرسٹی 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

23 ستمبر 2016

مقام: کراچی

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 Islamic Active Allocation Equity 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 period from January 18, 2016 to June 30, 2016 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.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 30, 2016

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA Active Allocation Riba Free Savings Fund** (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Pakistan Stock Exchange Limited.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2016, the Board included:

| Category | Names |
|--------------------------|--|
| Independent Directors | 1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque |
| Executive Directors | Dr. Amjad Waheed (Chief Executive Officer) |
| Non- Executive Directors | 1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Nigel Poh Cheng 5. Mr. Koh Boon San |

The independent directors meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (CEO).
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 17 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors including an independent director and the chairman of the committee is non-executive director.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim / final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with except the following:
 - As per the Code, the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.

For and behalf of the Board

Karachi
September 23, 2016

Dr. Amjad Waheed
Chief Executive Officer

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

FUND MANAGER REPORT

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

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

Average of 6-Month deposit rates (A- & above rated Islamic banks).

Fund Performance Review

This is the first Annual report since the launch of the Fund on January 18, 2016. The Fund size stands at Rs 997 million as on June 30, 2016. The Fund posted an annualized return of 4.39% versus the benchmark return of 4.66% since its inception (i.e. during FY16). 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.

On the corporate debt sphere, trading activity in TFCs/Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. Due to further abatement in inflationary pressures as captured in FY16 average inflation of 2.9%, State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps in FY16 up on the heels of a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 5.5% by year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

Asset Allocation of Fund (% of NAV)

| Particulars | 30-Jun-16 |
|--|----------------|
| Cash (Cash Equivalents) & Other Assets | 100.00% |
| Total | 100.00% |

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

Distribution for the Financial Year 2016

| Interim / Final | Dividend as a % of Par Value (Rs. 100) | Cum Dividend Price Per Unit (Rs.) | Ex- Dividend Price Per Unit (Rs.) |
|-----------------|--|-----------------------------------|-----------------------------------|
| Interim | 1.82% | 10.1912 | 10.0096 |
| Final | 0.23% | 10.1040 | 10.0814 |

Unit Holding Pattern of NAFA Islamic Active Allocation Equity Fund as on June 30, 2016

| Size of Unit Holding (Units) | | No. of Unit Holders |
|------------------------------|-------------|---------------------|
| 100,000,01 | 100,000,000 | 3 |
| Total | | 3 |

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

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 period from January 18, 2016 to June 30, 2016. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 23, 2016
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

Sep 20, 2016/ Dhu Al-Hijjah 17, 1437

Alhamdulillah, the period from January 18, 2016 to June 30, 2016 was the First 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.
- iii. On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NAARFSF for the period from January 18, 2016 to June 30, 2016 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 ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Active Allocation Riba Free Savings Fund** (the Fund) for the period ended June 30, 2016 to comply with clause 5.19 of the Pakistan Stock Exchange Limited Regulations where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period ended June 30, 2016.

Further, we highlight below the instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these have been stated in the Statement of Compliance:

| Paragraph reference | Description |
|---------------------|--|
| 21 | No closed period was determined prior to the announcement of interim / final results. |
| 23 | A mechanism for an evaluation of the Board's own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board. |

A.F. Ferguson & Co.
Chartered Accountants
Dated: September 30, 2016
Karachi

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, 2016, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from January 18, 2016 to June 30, 2016, 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, 2016 and of its financial performance, its cash flows and transactions for the period from January 18, 2016 to June 30, 2016 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 30, 2016
Karachi

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

| | Note | June 30, 2016 Rupees in '000 |
|---|------|---------------------------------|
| ASSETS | | |
| Balances with banks | 4 | 336,226 |
| Profit receivable | 5 | 2,583 |
| Receivable against sale of units | 6 | 660,000 |
| Other receivables | 7 | 791 |
| Preliminary expenses and floatation costs | 8 | 910 |
| Total assets | | 1,000,510 |
| LIABILITIES | | |
| Payable to NBP Fullerton Asset Management Limited - Management Company | 9 | 2,450 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 10 | 69 |
| Payable to the Securities and Exchange Commission of Pakistan | 11 | 230 |
| Accrued expenses and other liabilities | 12 | 454 |
| Total liabilities | | 3,203 |
| NET ASSETS | | 997,307 |
| UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED) | | 997,307 |
| CONTINGENCIES AND COMMITMENTS | 13 | - |
| | | Number of units |
| NUMBER OF UNITS IN ISSUE | 14 | 99,574,255 |
| | | Rupees |
| NET ASSET VALUE PER UNIT | | 10.0157 |

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

| | Note | For the period from January 18, 2016 to June 30, 2016 (Rupees in '000) |
|---|------|--|
| INCOME | | |
| Profit on bank deposits | | 19,878 |
| Total income | | 19,878 |
| EXPENSES | | |
| Remuneration of NBP Fullerton Asset Management Limited -Management Company | 9.1 | 3,827 |
| Sindh sales tax on remuneration of the Management Company | 9.2 | 622 |
| Federal excise duty on remuneration of the Management Company | 9.3 | 612 |
| Accounting and operational charges | 9.4 | 306 |
| Remuneration of Central Depository Company of Pakistan Limited- Trustee | 10.1 | 521 |
| Sindh sales tax on remuneration of the Trustee | 10.2 | 73 |
| Annual fee - Securities and Exchange Commission of Pakistan | 11 | 230 |
| Amortisation of preliminary expenses and floatation cost | 8 | 90 |
| Auditors' remuneration | 15 | 150 |
| Annual rating fee | | 76 |
| Shariah advisory fee | | 190 |
| Bank charges | | 41 |
| Total expenses | | 6,738 |
| Net Income from operating activities | | 13,140 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | | (5,569) |
| Net income for the period before taxation | | 7,571 |
| Taxation | 16 | - |
| Net income for the period after taxation | | 7,571 |

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

| | For the period from January 18, 2016 to June 30, 2016 (Rupees in '000) |
|--|--|
| Net income for the period after taxation | 7,571 |
| Other comprehensive income for the period | - |
| Total comprehensive Income for the period | <u><u>7,571</u></u> |

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

DISTRIBUTION STATEMENT FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

| | For the period from January 18, 2016 to June 30, 2016 (Rupees in '000) |
|---|--|
| Undistributed income at the beginning of the period | - |
| Net income for the period after taxation | 7,571 |
| Distribution during the period | |
| Cash distribution - Re 0.1816 per unit declared on June 29, 2016 | (6,006) |
| Undistributed income carried forward | <u>1,565</u> |
| Undistributed income carried forward comprising of: | |
| Realised income | 1,565 |
| Unrealised income | - |
| | <u>1,565</u> |

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

| | For the period from January 18, 2016 to June 30, 2016 (Rupees in '000) |
|---|--|
| Net assets at the beginning of the period | - |
| Issue of 190,825,640 units | 1,915,588 |
| Redemption of 91,251,386 units | (925,415) |
| | 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 | 5,569 |
| Capital gain on sale of investments | - |
| Other net income for the period | 7,571 |
| Net income for the period | 7,571 |
| Distribution during the period | |
| Cash distribution | |
| - Re 0.1816 per unit declared on June 29, 2016 | (6,006) |
| Net assets at the end of the period | 997,307 |

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

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

CASH FLOW FROM OPERATING ACTIVITIES

| | |
|--|-----------|
| Net Income for the period before taxation | 7,571 |
| Adjustments for: | |
| Amortisation of preliminary expenses and floatation costs | 90 |
| Element of (income) / loss and capital (gain) / losses included in prices of units issued less those in units redeemed - net | 5,569 |
| | 13,230 |
| (Increase) / decrease in assets | |
| Profit receivable | (2,583) |
| Other receivables | (791) |
| | (3,374) |
| Increase / (decrease) in liabilities | |
| Payable to NBP Fullerton Asset Management Limited - Management Company | 1,450 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 69 |
| Payable to the Securities and Exchange Commission of Pakistan | 230 |
| Accrued expenses and other liabilities | 454 |
| | 2,203 |
| Net cash used in operating activities | 12,059 |
| CASH FLOW FROM FINANCING ACTIVITIES | |
| Receipts from issue of units | 1,255,588 |
| Payments on redemption of units | (925,415) |
| Cash distribution | (6,006) |
| Net cash generated from financing activities | 324,167 |
| Net increase in cash and cash equivalents during the period | 336,226 |
| Cash and cash equivalents at the beginning of the period | - |
| Cash and cash equivalents at the end of the period | 336,226 |

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

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 03, 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. Due to a fire incident in the month of June 2016 at the registered office of the Management Company, its office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, 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 Securities and Exchange Commission of Pakistan 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.

Subsequent to the year end, the Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2++ to the Management Company as at August 4, 2016. The Fund has not yet been rated.

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 commenced its operations from 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 not yet effective:

There are certain amendments to the existing published approved accounting standards, new interpretations and certain new standards that are mandatory for accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or will not have any significant effect on the Fund's financial statements and are, therefore, not detailed in these financial statements.

2.3 Critical accounting estimates and judgments

The preparation of the 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 assumptions are reviewed as on 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.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

The areas involving a degree of judgement or complexity, or areas where estimates and assumption are significant to the financial statements relate to classification, impairment and valuation of investments (note 3.2).

2.4 Accounting Convention

These financial statements have been prepared under the historical cost convention.

2.5 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.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with 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. This 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.

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

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

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 being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.7 Taxation

Current

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.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any asset in respect of taxation in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders as cash dividend.

3.8 Proposed distribution

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the 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 by the distributors during business hours on 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 the distributors receive redemption requests during business hours of that day. The redemption price represents daily Net Asset Value (NAV) announced as of the close of the dealing 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 equalisation 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.

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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 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 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 | As at June 30 2016 (Rupees in '000) |
|--|------|---|
| 4 BALANCES WITH BANKS | | |
| Profit and loss savings accounts | 4.1 | <u>336,226</u> |
| These carry profits at the rates ranging from 5.75% to 7% per annum. | | |
| 5 PROFIT RECEIVABLE | | |
| Profit accrued on profit and loss savings accounts | | <u>2,583</u> |
| 6 RECEIVABLE AGAINST SALE OF UNITS | | |
| This represents 65,896,542 units amounting to Rs 660 million sold to NAFA Islamic Active Allocation Fund (Plan III). | | |
| 7 OTHER RECEIVABLES | | |
| Tax withheld on profit on bank deposits | | <u>791</u> |
| 8 PRELIMINARY EXPENSES AND FLOATATION COSTS | | |
| Preliminary expenses and floatation costs incurred during the period | | 1,000 |
| Less: amortisation during the period | | <u>(90)</u> |
| Closing balance | | <u>910</u> |
| 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 | As at June 30 2016 (Rupees in '000) |
| 9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED MANAGEMENT COMPANY | | |
| Remuneration of the Management Company | 9.1 | 442 |
| Sindh sales tax on remuneration of the Management Company | 9.2 | 72 |
| Federal excise duty on remuneration of the Management Company | 9.3 | 612 |
| Preliminary expenses and floatation costs | | 1,000 |
| Accounting and operational charges | 9.4 | 306 |
| Other payable | | <u>18</u> |
| | | <u>2,450</u> |

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- 9.1 The Management Company has charged remuneration at the rate not exceeding 1.25 % per annum based on average net assets for the period. The fee is payable to the Management Company monthly in arrears.
- 9.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 14% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 9.3 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 became applicable effective 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 results in double taxation, which does not appear to be the spirit of the law.

On September 4, 2013, a Constitutional Petition was filed in the Honorable 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.

Subsequent to the year ended June 30, 2016, the SHC has 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) have been set aside.

With effect from 1 July 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, the provision made till June 30, 2016, aggregating to Rs. 0.612 million has not been reversed as the management believes that the Federal Government retains the right to appeal against the said order in the Supreme Court within the prescribed timeline. Had the provision not been made, the Net Asset Value per unit of the Fund as at June 30, 2016 would have been higher by Re 0.0061 per unit.

- 9.4 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 amounting to Rs 0.306 million to the Fund from January 18, 2016 to June 30, 2016.

| | Note | As at June 30 2016 (Rupees in '000) |
|---|------|---|
| 10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE | | |
| Remuneration payable to the Trustee | 10.1 | 61 |
| Sindh Sales Tax on Trustee remuneration | 10.2 | 8 |
| | | <u>69</u> |

- 10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears. Based on the Trust Deed, the tariff structure applicable to the Fund during the period ended June 30, 2016 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. |

- 10.2 The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services and has levied Sindh Sales Tax on custodianship services. Accordingly, Sindh Sales Tax of 14% has been charged on Trustee fee under section 2(79A) of the Sindh Finance Bill, 2010 during the period.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

| | As at June 30 2016 (Rupees in '000) |
|---|---|
| 11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN | |
| Annual fee | <u>203</u> |
| <p>Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Shariah Compliant Income Scheme is required to pay an amount equal to 0.075% per annum of the average daily net assets of the Fund.</p> | |
| | As at June 30 2016 |
| 12 ACCRUED EXPENSES AND OTHER LIABILITIES | |
| Auditors' remuneration | 150 |
| Shariah advisory fee | 190 |
| Annual rating fee | 76 |
| With holding tax payable | 9 |
| Bank charges | 29 |
| | <u>454</u> |
| 13 CONTINGENCIES AND COMMITMENTS | |
| <p>There were no contingencies and commitments outstanding as at June 30, 2016.</p> | |
| | As at June 30 2016 |
| 14 NUMBER OF UNITS IN ISSUE | |
| Total units in issue at the beginning of the period | - |
| Add: units issued during the period | 190,825,640 |
| Less: units redeemed during the period | 91,251,386 |
| Total units in issue as at June 30, 2016 | 99,574,255 |
| | As at June 30 2016 |
| 15 AUDITORS' REMUNERATION | |
| Annual audit fee and other certification | 150 |
| Out of pocket expenses | - |
| | <u>150</u> |
| 16 TAXATION | |
| <p>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 period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management intends to distribute at least 90% of the Fund's net accounting income earned by the period end to the unit holders. Accordingly, no provision for taxation has been made in these financial statements.</p> | |
| 17 TRANSACTIONS WITH CONNECTED PERSONS | |
| 17.1 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, other collective investment schemes managed by the Management Company and directors and officers of the Management Company. | |
| 17.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates. | |
| 17.3 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. | |
| 17.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC regulations and the Trust Deed. | |

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

| | | For the period from January 18, 2016 to June 30, 2016 (Rupees in '000) |
|------|---|--|
| 17.5 | Details of transactions with connected persons are as follows: | |
| | NBP Fullerton Asset Management Limited - Management Company | |
| | Remuneration of the Management Company | 3,827 |
| | Sindh sales tax on remuneration of the Management Company | 622 |
| | Federal excise duty on remuneration of the Management Company | 612 |
| | Accounting and operational charges | 306 |
| | NAFA ISLAMIC ACTIVE ALLOCATION FUND (PLAN I) | |
| | Units issued during the period 81,921,129 | 822,664 |
| | Units redeemed during the period 64,636,772 | 655,844 |
| | NAFA ISLAMIC ACTIVE ALLOCATION FUND (PLAN II) | |
| | Units issued during the period 43,007,969 | 432,924 |
| | Units redeemed during the period 26,614,614 | 269,570 |
| | NAFA ISLAMIC ACTIVE ALLOCATION FUND (PLAN III) | |
| | Units issued during the period 65,896,542 | 660,000 |
| | Central Depository Company of Pakistan Limited - Trustee | |
| | Remuneration | 521 |
| | Sindh sales tax on remuneration of Trustee | 73 |
| | | As at June 30 2016 (Rupees in '000) |
| 17.6 | Amounts / balances outstanding as at period end: | |
| | NBP Fullerton Asset Management Limited - Management Company | |
| | Remuneration of the Management Company | 442 |
| | Sindh sales tax on remuneration of the Management Company | 72 |
| | Federal excise duty on remuneration of the Management Company | 612 |
| | Preliminary expenses and floatation costs | 1,000 |
| | Accounting and operational charges | 306 |
| | Other payable | 18 |
| | NAFA ISLAMIC ACTIVE ALLOCATION FUND (PLAN I) | |
| | Units Held 17,284,357 | 173,115 |
| | NAFA ISLAMIC ACTIVE ALLOCATION FUND (PLAN II) | |
| | Units Held 16,393,355 | 164,191 |
| | NAFA ISLAMIC ACTIVE ALLOCATION FUND (PLAN III) | |
| | Units Held 65,896,542 | 660,000 |
| | Receivable against sale of units | 660,000 |
| | Central Depository Company of Pakistan Limited - Trustee | |
| | Remuneration payable | 61 |
| | Sindh sales tax on remuneration of Trustee | 8 |

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

18 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

| S.No. | Name | Qualification | Experience in years |
|-------|--------------------------|--|---------------------|
| 1 | Dr. Amjad Waheed | MBA / Doctorate in Business Administration / CFA | 28 |
| 2 | Mr. Sajjad Anwar | CFA / MBA Finance | 16 |
| 3 | Mr. Muhammad Ali Bhabha* | MBA / MS / CFA / FRM | 21 |
| 4 | Mr. Syed Suleman Akhtar | MBA / CFA | 16 |

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

19 DETAILS OF PATTERN OF UNIT HOLDING

-----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% |
| | 1 | 997,307 | 100.00% |

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

20 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 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 | 6 | 5 | 1 | 54th meeting |
| Mr. Aamir Sattar | 6 | 4 | 2 | 56th & 57th meeting |
| Mr. Abdul Hadi Palekar | 6 | 5 | 1 | 58th meeting |
| Mr. Koh Boon San | 6 | 4 | 2 | 54th & 57th meeting |
| Mr. Nigel Poh Cheng | 6 | 3 | 3 | 56th, 58th & 59th meeting |
| Mr. Kamal Amir Chinoy | 6 | 5 | 1 | 57th meeting |
| Mr. Shehryar Faruque | 6 | 4 | 2 | 54th & 59th meeting |
| Dr. Amjad Waheed | 6 | 6 | - | - |

21 FINANCIAL INSTRUMENTS BY CATEGORY

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

| Particulars | Loans and receivables | 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 |
| Other receivables | 791 | - | 791 |
| | <u>999,600</u> | <u>-</u> | <u>999,600</u> |

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

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

| Particulars | Loans and receivables | At fair value through profit or loss | Total |
|-------------|--------------------------|--|-------|
|-------------|--------------------------|--|-------|

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

Financial assets

| | | | |
|--|----------|--------------|--------------|
| 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> |

22 FINANCIAL RISK MANAGEMENT

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

22.1 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.

22.1.1 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.

22.1.2 Yield / Profit rate risk

Yield / 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 Fund is mainly exposed to profit rate risk on balances held with banks.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow profit rate risk except for balances in certain profit & loss saving accounts, the profit rate of which ranges from 5.75% to 7%.

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 and for off-balance sheet financial instruments is based on settlement date.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

As at June 30, 2016

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

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

On-balance sheet financial instruments

Financial assets

| | | | | | | |
|-----------------------------------|---------|---------|---------|---|---|---------|
| 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 |
| Other receivables | | 791 | 791 | - | - | - |
| | | 999,600 | 337,017 | - | - | 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 (a) | | 996,636 | 337,017 | - | - | 659,619 |

Off-balance sheet financial instruments

Off-balance sheet gap (b)

Total profit rate sensitivity gap (a+b)

Cumulative interest rate sensitivity gap

| | | | | | | |
|--|--|---------|---------|---|---|---------|
| | | - | - | - | - | - |
| | | - | - | - | - | - |
| | | 996,636 | 337,017 | - | - | 659,619 |
| | | 337,017 | - | - | - | - |

22.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from 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.

22.1.4 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, receivable against issue of units, profit receivable on balances with banks. 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. Therefore, the Fund does not expect to incur material credit losses on its financial assets.

22.1.5 Credit quality of the Fund's balances with banks

| Name of the Bank | Rating Agency | Latest available published rating | Percentage of Bank Balance |
|-------------------------------------|---------------|-----------------------------------|----------------------------|
| United Bank Limited | JCR-VIS | AAA | -* |
| Burj Bank Limited | JCR-VIS | BBB+ | -* |
| Habib Bank Limited | JCR-VIS | AAA | 52.05% |
| Bank Islami Pakistan Limited | PACRA | A1 | 1.67% |
| Silk Bank Limited | JCR-VIS | A- | 46.13% |
| Dubai Islamic Bank Pakistan Limited | JCR-VIS | A+ | 0.14% |

*Nil value due to rounding off difference

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

22.1.6 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.

22.1.7 Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

22.1.8 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 funds of funds 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 are considered readily realisable.

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.

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

| Particulars | Total | Upto three months | Over three months and upto one year | Over 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> |

23 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 units of the fund are only subscribed by the funds of funds managed by the management company. 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 period.

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

In accordance with the risk management policies stated in note 22, 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.

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

24 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.

24.1 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, 2016, the Fund does not held any investment carried at fair value

25 NON-ADJUSTING EVENT AFTER JUNE 30, 2016

The Board of Directors of the Management Company in their meeting held on September 23, 2016 approved a cash distribution of Rs 1.498 million (Re 0.0226 per unit) for the period ended June 30, 2016. The financial statements of the Fund for the period ended June 30, 2016 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, 2017.

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 23, 2016.

27 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ACTIVE ALLOCATION RIBA FREE SAVINGS FUND

PERFORMANCE TABLE








| Particulars | For the period from January 18, 2016 to June 30, 2016 |
|--|---|
| Net assets at the year / period ended (Rs '000) | 997,307 |
| Net income for the year / period ended (Rs '000) | 7,571 |
| Net Asset Value per unit at the year / period ended (Rs) | 10.0157 |
| Offer Price per unit | - |
| Redemption Price per unit | 10.0157 |
| Highest offer price per unit (Rs) | - |
| Lowest offer price per unit (Rs) | - |
| Highest redemption price per unit (Rs) | 10.0096 |
| Lowest redemption price per unit (Rs) | 9.8229 |
| Opening NAV (Since Inception January 18, 2016) | 9.8218 |
| Total return of the fund | 1.97% |
| Capital growth | -0.10% |
| Income distribution as % of Ex nav | 2.08% |
| Income distribution as % of Par nav | 2.04% |
| Distribution | |
| Interim distribution per unit | 0.1816 |
| Final distribution per unit | 0.0226 |
| Distribution Dates | |
| Interim | 29-Jun-16 |
| Final | 23-Sep-16 |
| Average annual return of the fund (launch date January 18, 2016) | |
| (Since inception to June 30, 2016) | 4.39% |
| Portfolio Composition (Please see Fund Manager Report) | |
| Weighted average portfolio duration | 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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