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

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

**HALF YEARLY
REPORT**
December 31, 2017



Your investments & "NAFA" grow together

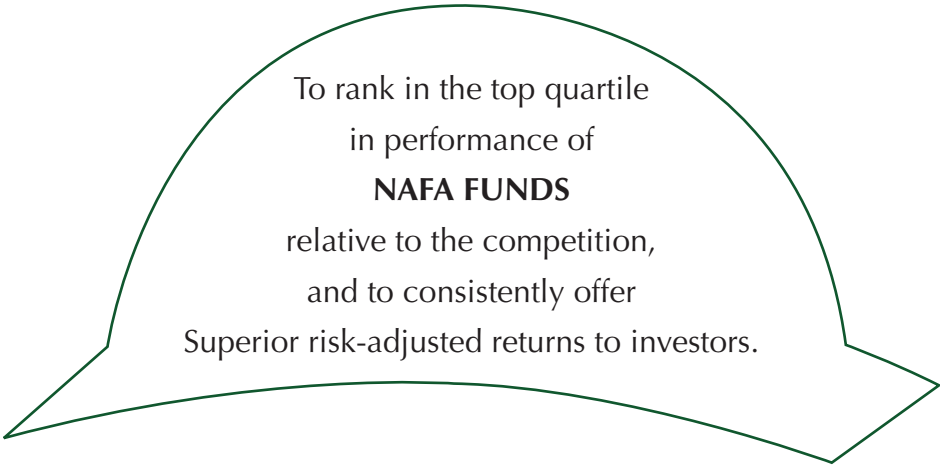


NBP

**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.

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NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Ms. Anupama Sawhney*	Director

* SECP's approval is in process

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Ms. Anupama Sawhney*	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
United Bank Limited
Dubai Islamic Bank Limited
Allied Bank Limited
JS Bank Limited

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02
Beaumont Road,
Karachi - 75530, Pakistan.

Legal Advisor

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

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 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:

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

Multan Office:

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

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Islamic Active Allocation Fund - II (NIAAF-II)** for the half year ended December 31, 2017.

Fund's Performance

NAFA Islamic Active Allocation Fund-II has been constituted in the form of a Trust Scheme that shall invest in following Collective Investment Schemes through five (5) Allocation Plans including NAFA Islamic Active Allocation Plan-VI (NIAAP-VI), NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) & NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII).

Islamic Income Fund: NAFA Active Allocation Riba Free Savings Fund

Islamic Equity Fund: NAFA Islamic Active Allocation Equity Fund

During 1HFY18, the stock market remained in a corrective mode. The euphoria surrounding the up-gradation of KSE-100 Index from MSCI Frontier Market to MSCI Emerging Market petered out and the ongoing heightened political noise took center stage. In addition to this, deteriorating external account position also weighed on investors' sentiments that resulted in a sizeable decline of 13% in the KSE-100 Index during the period under review. Political uncertainty, rising current account deficit, and tension in the US – Pakistan relationship were key reasons for the stock market decline.

To augment the precarious external account position the government issued international bond of USD2.5bn in addition to the measured PKR devaluation of around 5% against the US Dollar, which allayed the concerns of the market to some extent. Foreign investors remained net sellers during the period with net foreign portfolio outflow of USD155 million while Companies, Insurance, and Banks/DFIs remained net buyers in the market. In terms of sector performance, Oil & Gas Exploration, Fertilizer, Commercial Banks, and Textile sectors fared better compared with the market, while Cement, Refinery, Engineering, and Chemical sectors lagged behind.

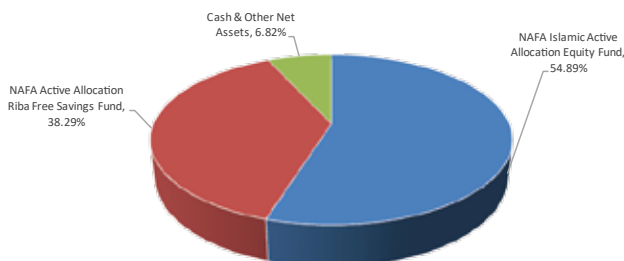
State Bank of Pakistan (SBP) pursued accommodative monetary policy stance and left the policy rate unchanged at 5.75% during the period under review. SBP cited the following reasons to support its policy: a) strong economic activity corroborated by pick up in industrial output; b) gains in production of major crops; c) growth in private sector credit off-take; d) improvement in export growth; e) notable increase in foreign direct investments; and f) CPEC related investment activity gathering pace. SBP also highlighted gathering risks to the external account emanating from expected increase in commodity/global oil prices, confluence of declining remittances and mounting external debt levels (that may imperil the near to medium-term sustainability of the BoP position). Owing to stable policy rate and significant liquidity injections by the SBP, sovereign yields remained flat during the period with investors' preference tilted towards short tenors considering upside risks to inflation and interest rates.

NAFA Islamic Active Allocation Plan-VI (NIAAP-VI)

Plan's Performance

During the period, the unit price of NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) has decreased from Rs.94.4551 on June 30, 2017 to Rs.86.0292 on December 31, 2017, thus showing a decrease of 8.92%. The Benchmark decreased by 6.92%. Thus, the Fund has underperformed its Benchmark by 2.01%. Since inception, the unit price of NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) has decreased from Rs.100.0000 on May 26, 2017 to Rs.86.0292 on December 31, 2017, thus showing a decrease of 13.97%. The Benchmark decline during the same period was 13.86%. Thus, the Fund has underperformed its Benchmark by 0.11%. This performance is net of management fee and all other expenses. The size of the Fund is Rs.553 million.

The asset allocation of the Fund as on December 31, 2017 is as follows:



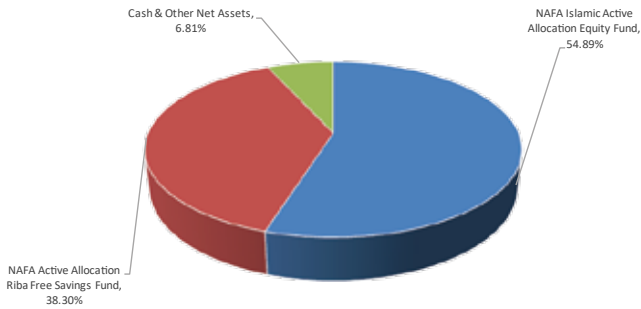
NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

NAFA Islamic Active Allocation Plan-VII (NIAAP-VII)

Plan's Performance

During the period, the unit price of NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) has decreased from Rs.99.9773 on June 30, 2017 to Rs.92.2955 on December 31, 2017, thus showing a decrease of 7.68%. The Benchmark decreased by 6.17%. Thus, the Fund has underperformed its Benchmark by 1.52%. Since inception, the unit price of NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) has decreased from Rs.100.00 on June 29, 2017 to Rs.92.2955 on December 31, 2017, thus showing a decrease of 7.70%. The Benchmark decline during the same period was 6.73%. Thus, the Fund has underperformed its Benchmark by 0.97%. This performance is net of management fee and all other expenses. The size of the Fund is Rs.205 million.

The asset allocation of the Fund as on December 31, 2017 is as follows:

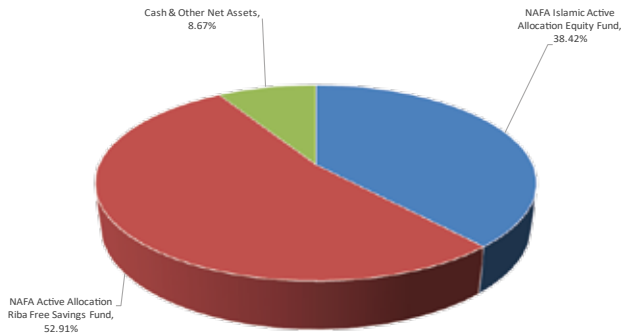


NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII)

Plan's Performance

Since inception, the unit price of NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII) has decreased from Rs.100.00 on November 03, 2017 to Rs.99.9025 on December 31, 2017, thus showing a decrease of 0.10%. The Benchmark decrease during the same period was 0.17%. Thus, the Fund has outperformed its Benchmark by 0.07%. This performance is net of management fee and all other expenses. The size of the Fund is Rs.714 million.

The asset allocation of the Fund as on December 31, 2017 is as follows:



NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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
Date: February 22, 2018
Place: Karachi.

Director

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز نے صدمرت 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے لیے Nafa اسلامک ایکٹیو ایلوکیشن فنڈ-II کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

اس فنڈ کا مقصد سرمایہ کاروں کو مدد و نظم و ضبط والے طریقے کے ساتھ ایکٹیو ایلوکیشن / منی مارکیٹ فنڈز سے پرکشش منافع کا منہ فرام کرنا ہے۔

Nafa اسلامک ایکٹیو ایلوکیشن ایکٹیو فنڈ-II ایک ٹرسٹ اسکیم کی شکل میں تیار کیا گیا ہے جو کہ پانچ (5) ایلوکیشنز پلانز کے ذریعے درج ذیل مجموعی سرمایہ کاری کی اسکیموں میں سرمایہ کاری کریں گے، یہ پلانز Nafa اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI)، Nafa اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII)، اور Nafa اسلامک ایکٹیو ایلوکیشن پلان-VIII (NIAAP-VIII) ہیں۔

☆ Nafa اسلامک ایکٹیو ایلوکیشن ریفری سیٹنگ فنڈ

☆ Nafa اسلامک ایکٹیو ایلوکیشن ایکٹیو فنڈ

مالیاتی سال 18 کی پہلی ششماہی میں مارکیٹ میں مندی کا رجحان برقرار رہا۔ KSE 100 انڈیکس کی MSCI فریم ورک سے MSCEI ہر جنگ مارکیٹ میں درجہ بندی کی خبر کا اثر مارکیٹ سے ختم ہو گیا اور اس کی جگہ زبردست سیاسی نا ارامی نے مرکزی حیثیت اختیار کر لی۔ اس کے علاوہ بیرونی اکاؤنٹس کی کمزوری ہوئی صورتحال سے سرمایہ کاروں کا پریشانی دہاؤ پڑا جس کے نتیجے میں زیر جائزہ مدت میں KSE 100 انڈیکس نمایاں طور پر 13% نیچے آ گیا۔ سیاسی غیر یقینی کیفیت، بڑھتا ہوا کرنٹ اکاؤنٹ کا خسارہ اور امریکہ - پاکستان کے تعلقات میں کھچاؤ اسٹاک مارکیٹ میں انحطاط کی بنیادی وجوہات تھیں۔

بیرونی اکاؤنٹس کی غیر یقینی صورت حال کو تقویت دینے کیلئے امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 5% کمی کی گئی اور ساتھ ہی حکومت نے 2.5 ملین امریکی ڈالر کے انٹرنیشنل بانڈ جاری کئے جس سے مارکیٹ میں کافی حد تک خدشات دور کرنے میں مدد ملی۔ اس عرصہ میں بیرونی سرمایہ کار بدستور خالص فروخت کنندہ رہے جس سے 155 ملین ڈالر کا سرمایہ بیرون ملک چلا گیا۔ جب کہ سرمایہ کار کمپنیاں اور بینک DFIs خالص خریدار رہے۔ شعبہ جات کی کارکردگی کے لحاظ سے آئل اینڈ گیس ایکسپلوریشن، فریلائیڈز، کرشل ٹیکس اور ٹیکسٹائل ہنٹرز جیسے شعبہ جات کی کارکردگی سبباً اتر رہی۔

ایسٹ بینک آف پاکستان (SBP) نے حفاظتی پالیسی جاری رکھی اور زیر جائزہ مدت کے دوران پالیسی کی شرح کو 5.75% برقرار رکھا۔ SBP نے اپنی پالیسی کی حمایت میں درج ذیل وجوہات بیان کیں: (ا) مضبوط معاشی سرگرمی، جس کی تصدیق صنعتی پیداوار میں اضافہ سے ہوتی ہے (ب) بڑی فصلوں کی بھرپور پیداوار (ج) نجی شعبہ کے قرضے جات میں اضافہ (د) برآمدات کے اضافے میں بہتری (ر) غیر ملکی براہ راست سرمایہ کاری میں نمایاں اضافہ اور (س) چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرمایہ کاری کی سرگرمیوں کا مسلسل فروغ۔ SBP نے بیرونی اکاؤنٹس کے بارے میں ان خدشات کی بھی تصاندی کی جو کمزوری / آئل کی قیمتوں میں عالمی سطح پر اضافہ اور اس کے ساتھ ساتھ زرمبادلہ کی ترسیلات میں کمی اور بیرونی قرضہ جات کے بڑھتے ہوئے حجم کے باعث پیدا ہو رہے ہیں (جس سے توازن ادائیگی کی مستقبل قریب سے وسط مدت کیلئے صورتحال غیر مستحکم ہو سکتی ہے)۔ چنانچہ منجملہ شرح پالیسی اور SBP کی جانب سے نمایاں طور پر لیوی ڈینی داخل کرنے سے اس مدت میں بالائی نتائج کوئی کمی نہیں ہوئی اور سرمایہ کاروں نے افراط زر اور شرح سود میں بڑھتے ہوئے خدشات کے پیش نظر قلیل المدت سرمایہ کاری کو ترجیح دی۔

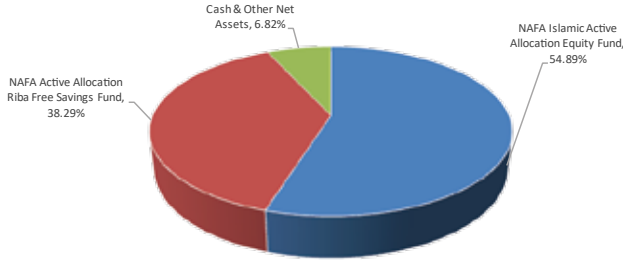
Nafa اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI)

فنڈ کی کارکردگی

اس مدت کے دوران Nafa اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI) کے یونٹ کی قیمت 30 جون 2017 کو 94.455 روپے سے کم ہو کر 31 دسمبر 2017 کو 86.029 روپے ہو چکی ہے اور اس طرح 8.92% کی کمی دکھائی ہے۔ پانچ مارک کم ہو کر 6.92% ہو گیا۔ لہذا فنڈ نے اپنے پانچ مارک سے 2.01% خراب کارکردگی کا مظاہرہ کیا ہے۔ 26 مئی 2017 کو اپنے قیام کے وقت Nafa اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI) کے یونٹ کی قیمت 100.000 روپے سے کم ہو کر 31 دسمبر 2017 کو 86.029 روپے ہو گئی، لہذا 13.97% کی کمی دکھائی ہے۔ اسی مدت کے دوران پانچ مارک خسارہ 13.86% تھا۔ لہذا فنڈ نے اپنے پانچ مارک سے 0.11% خراب کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجملہ فیئس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 553 ملین روپے ہے۔

NIAAP-VI کی ایسٹ منیجمنٹ 31 دسمبر 2017 کو برعاطق ذیل ہے:

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

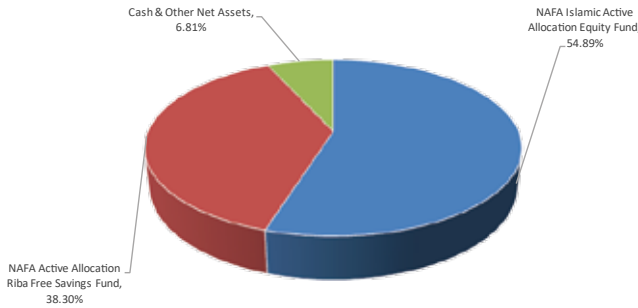


NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII)

فنڈ کی کارکردگی

اس مدت کے دوران NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII) کے یونٹ کی قیمت 30 جون 2017 کو 99.9773 روپے (Ex-Div) سے کم ہو کر 31 دسمبر 2017 کو 92.2955 روپے ہو گئی، لہذا 7.68% کی کمی ہوئی۔ اسی مدت کے دوران بیچ مارک کم ہو کر 6.17% ہو گیا۔ لہذا فنڈ کی اپنے بیچ مارک سے 1.52% خراب کارکردگی رہی۔ 29 جون 2017 کو اپنے قیام کے وقت NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII) کے یونٹ کی قیمت 100.00 روپے (Ex-Div) سے کم ہو کر 31 دسمبر 2017 کو 92.2955 روپے ہو گئی ہے، لہذا 7.70% کی کمی دکھائی ہے۔ اسی مدت کے دوران بیچ مارک خسارہ 6.73% تھا۔ لہذا فنڈ نے اپنے بیچ مارک سے 0.97% خراب کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجسٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا ساٹھ 205 ملین روپے ہے۔

فنڈ کی ایسیٹ ایلوکیشن 31 دسمبر 2017 کو برعکس ذیل ہے:



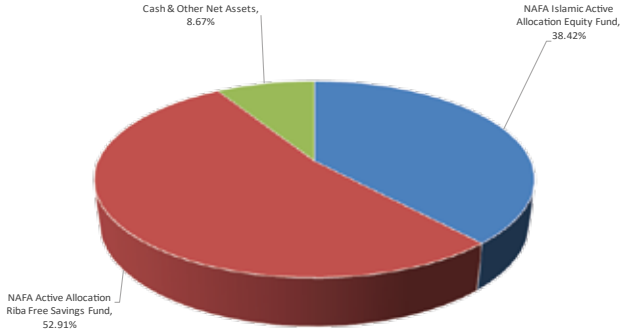
NAFA اسلامک ایکٹیو ایلوکیشن پلان-VIII (NIAAP-VIII)

فنڈ کی کارکردگی

اپنے قیام سے لے کر اب تک NAFA اسلامک ایکٹیو ایلوکیشن پلان-VIII (NIAAP-VIII) کے یونٹ کی قیمت 03 نومبر 2017 کو 100.00 روپے (Ex-Div) سے کم ہو کر 31 دسمبر 2017 کو 99.9025 روپے ہو گئی، لہذا 0.10% کی کمی دکھائی ہے۔ اسی مدت کے دوران بیچ مارک میں 0.17% کمی تھی۔ لہذا فنڈ نے اپنے بیچ مارک کے مقابلے 0.07% بہتر کارکردگی دکھائی۔ یہ کارکردگی منجسٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا ساٹھ 714 ملین روپے ہے۔

فنڈ کی ایسیٹ ایلوکیشن 31 دسمبر 2017 کو برعکس ذیل ہے:

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II



اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز ریٹز اینڈ آپریٹنگ کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے کمال تشکر کرتا ہے۔
بورڈ اپنے اسٹاف اور رٹرنس کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP ٹرنس ایسٹ منجنت لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

22 فروری 2018ء

مقام: کراچی

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) 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 Fund-II (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 six months period ended December 31, 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, February 26, 2018

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Active Allocation Fund II** ("the Fund") as at 31 December 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matter

The figures for the three months period ended 31 December 2017 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: 22 February 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Condensed Interim Statement of Assets and Liabilities As at 31 December 2017

	Note	Unaudited 31 December 2017				Audited 30 June 2017		
		NIAAP-VI	NIAAP-VII	NIAAP-VIII	Total	NIAAP-VI	NIAAP-VII	Total
		(Rupees in 000)				(Rupees in 000)		
ASSETS								
Bank balances	7	41,375	17,826	63,563	122,764	68,640	176,697	245,337
Investments	8	515,427	191,223	652,333	1,358,983	828,864	92,805	921,669
Profit receivable on bank deposits		238	88	245	571	947	36	983
Advance and other receivable		47	16	5	68	37	3	40
Preliminary expenses and floatation costs	9	637	98	425	1,160	1,354	208	1,562
Total assets		557,724	209,251	716,571	1,483,546	899,842	269,749	1,169,591
LIABILITIES								
Payable to NBP Fullerton Asset Management Company Limited	10	3,894	3,772	632	8,298	4,109	2,296	6,405
Payable to Central Depository Company of Pakistan Limited - Trustee	11	55	19	69	143	85	1	86
Payable to Securities and Exchange Commission of Pakistan		331	106	108	545	84	1	85
Payable against redemption of units		-	-	-	-	186	-	186
Payable against purchase of investments		-	-	-	-	-	92,805	92,805
Accrued expenses and other liabilities	12	304	165	1,537	2,006	1,474	69	1,543
Total liabilities		4,584	4,062	2,346	10,992	5,938	95,172	101,110
Net assets		553,140	205,189	714,225	1,472,554	893,904	174,577	1,068,481
Unit holders' fund (as per statement attached)		553,140	205,189	714,225	1,472,554	893,904	174,577	1,068,481
Contingency and commitment	13							
		(Number of units)				(Number of units)		
Number of units in issue		6,429,679	2,223,177	7,149,223		9,463,800	1,746,167	
		(Rupees)				(Rupees)		
Net assets value per unit		86.0292	92.2955	99.9025		94.4551	99.9773	

The annexed notes 1 to 18 form an integral part of these financial statements.

**For NBP Fullerton Asset Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Condensed Interim Income Statement (Unaudited) For the six and three months period ended 31 December 2017

Note	Six months period end 31 December 2017		From 04 November to 31 December 2017	Total	Three months period enc 31 December 2017		From 04 November to 31 December 2017	Total
	NIAAP-VI	NIAAP-VII	NIAAP-VIII		NIAAP-VI	NIAAP-VII	NIAAP-VIII	
	(Rupees in 000)				(Rupees in 000)			
Income								
Capital (loss) / gain on sale of investments - net	(24,094)	(793)	943	(23,944)	(17,012)	(823)	943	(16,892)
Dividend Income	6,725	1,850	-	8,575	-	-	-	-
Profit on bank deposits	1,770	702	927	3,399	763	252	927	1,942
Net unrealised diminution on re-measurement as 'financial assets at fair value through profit or loss'	(55,727)	(18,377)	(2,331)	(76,435)	(373)	(4,124)	(2,331)	(6,828)
Total loss	(71,326)	(16,618)	(461)	(88,405)	(16,622)	(4,695)	(461)	(21,778)
Expenses								
Remuneration to NBP Fullerton Asset Management Limited - Management Company	338	173	142	653	156	40	142	338
Sindh Sales Tax on remuneration to the Management Company	44	23	18	85	20	6	18	44
Remuneration to Central Depository Company of Pakistan Limited - Trustee	348	111	114	573	153	53	114	320
Sindh Sales Tax on remuneration to the Trustee	45	14	15	74	20	6	15	41
Annual fee - Securities and Exchange Commission of Pakistan	331	106	108	545	146	51	108	305
Settlement and bank charges	42	8	42	92	30	5	42	77
Auditors' remuneration	107	81	107	295	33	47	107	187
Allocation of expenses related to registrar services, accounting, operation and valuation services	348	54	114	516	153	53	114	320
Legal and professional charges	15	15	15	45	1	10	15	26
Listing fee	7	7	-	14	7	7	-	14
Shariah advisor fee	100	38	26	164	77	38	26	141
Amortisation of formation cost	317	49	36	402	138	23	37	198
Printing charges	18	7	18	43	12	5	17	34
Total expenses	2,060	686	755	3,501	946	344	755	2,045
Net loss for the period before taxation	(73,386)	(17,304)	(1,216)	(91,906)	(17,568)	(5,039)	(1,216)	(23,823)
Taxation	-	-	-	-	-	-	-	-
Net loss for the period after taxation	(73,386)	(17,304)	(1,216)	(91,906)	(17,568)	(5,039)	(1,216)	(23,823)
Allocation of net loss for the period								
Net loss for the period	(73,386)	(17,304)	(1,216)	(91,906)	(17,568)	(5,039)	(1,216)	(23,823)
Income already paid on units redeemed								
	(73,386)	(17,304)	(1,216)	(91,906)	(17,568)	(5,039)	(1,216)	(23,823)
Accounting income available for distribution:								
- Relating to capital gains	-	-	-	-	-	-	-	-
- Excluding capital gains	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

The annexed notes 1 to 18 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Condensed Interim Statement of Comprehensive Income (Unaudited) For the six and three months period ended 31 December 2017

	Six months period ended 31 December 2017			From 04 November to 31 December 2017	Total	Three months period ended 31 December 2017			From 04 November to 31 December 2017	Total
	NIAAP-VI	NIAAP-VII	NIAAP-VIII			NIAAP-VI	NIAAP-VII	NIAAP-VIII		
	(Rupees in 000)					(Rupees in 000)				
Net loss for the period	(73,386)	(17,304)	(1,216)	(91,906)		(17,568)	(5,039)	(1,216)	(23,823)	
Other comprehensive income for the period	-	-	-	-		-	-	-	-	
Total comprehensive loss for the period	(73,386)	(17,304)	(1,216)	(91,906)		(17,568)	(5,039)	(1,216)	(23,823)	

The annexed notes 1 to 18 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited) For the six months period ended 31 December 2017

	Six months period ended 31 December 2017			From 04 November to 31 December 2017		
	NIAAP-VI		NIAAP-VII	NIAAP-VIII		
	Capital value	Undistribute income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the period	946,380	(52,476)	893,904	174,618	(41)	174,577
Issue of units (NIAAP-VI) NIL, (NIAAP-VII) 930,440 units, (NIAAP-VIII) 7,732,131 units						
- Capital value	-	-	-	93,023	-	93,023
- Element of (loss) / income	-	-	-	(1,482)	-	(1,482)
Total proceeds on issuance of units	-	-	-	91,541	-	91,541
Redemption of units (NIAAP-VI) 3,034,121 units, (NIAAP-VII) 453,430 units, (NIAAP-VIII) 582,909 units						
- Capital value	(286,588)	-	(286,588)	(45,333)	-	(45,333)
- Element of income	19,210	-	19,210	1,708	-	1,708
Total payments on redemption of units	(267,378)	-	(267,378)	(43,625)	-	(43,625)
Total comprehensive loss for the period	-	(73,386)	(73,386)	-	(17,304)	(17,304)
Net assets at end of the period	679,002	(125,862)	553,140	222,534	(17,345)	205,189
Undistributed loss brought forward						
- Realised		58,949			(41)	
- Unrealised		(111,425)			-	
Accounting loss available for distribution:		(52,476)			(41)	
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
Net loss for the period		(73,386)			(17,304)	
Undistributed loss carried forward		(125,862)			(17,345)	
Undistributed loss carried forward						
- Realised		(70,135)			1,032	
- Unrealised		(55,727)			(18,377)	
		(125,862)			(17,345)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		94.4551			99.9773	
Net assets value per unit at end of the period		86.0292			92.2955	

The annexed notes 1 to 18 form an integral part of these financial statements.

**For NBP Fullerton Asset Management Limited
(Management Company)**

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Condensed Interim Cash Flow Statement (Unaudited) For the six months period ended 31 December 2017

	Six months period ended 31 December 2017		From 04 November to 31 December 2017	
	NIAAP-VI	NIAAP-VII	NIAAP-VIII	Total
	(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES				
Net loss for the period before taxation	(73,386)	(17,304)	(1,216)	(91,906)
Adjustments				
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	55,727	18,377	2,331	76,435
Amortisation of Formation Cost	318	47	36	401
	(17,341)	1,120	1,151	(15,070)
Decrease / (Increase) in assets				
Investments	257,710	(116,795)	(654,664)	(513,749)
Profit receivable on bank deposits	708	(52)	(245)	411
Advance and other receivable	(10)	(13)	(5)	(28)
Preliminary expenses and floatation costs	399	63	(461)	1
	258,807	(116,797)	(655,375)	(513,365)
Increase / (decrease) in liabilities				
Payable to NBP Fullerton Asset Management Limited - Mangement Company	(214)	1,476	632	1,894
Payable to Central Depository Company of Pakistan Limited - Trustee	(30)	18	69	57
Payable to Securities and Exchange Commission of Pakistan	247	105	108	460
Payable against purchase of investments	-	(92,805)	-	(92,805)
Accrued expenses and other liabilities	(1,170)	96	1,537	463
	(1,167)	(91,110)	2,346	(89,931)
Net cash generated from / (used in) operating activities	240,299	(206,787)	(651,878)	(618,366)
CASH FLOW FROM FINANCING ACTIVITIES				
Amount received against issuance of units	-	91,541	773,321	864,862
Payments against redemption of units	(267,564)	(43,625)	(57,880)	(369,069)
Distributions paid	-	-	-	-
Net cash (used in) / generated from financing activities	(267,564)	47,916	715,441	495,793
Net (decrease) / increase in cash and cash equivalents during the period	(27,265)	(158,871)	63,563	(122,573)
Cash and cash equivalents at the beginning of the period	68,640	176,697	-	245,337
Cash and cash equivalents at the end of the period	41,375	17,826	63,563	122,764

7

The annexed notes 1 to 18 form an integral part of these financial statements.

**For NBP Fullerton Asset Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Notes to and forming part of the Condensed Interim Financial Information (Unaudited) For the six months period ended 31 December 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA Islamic Active Allocation Fund - II (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 24 March 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 13 April 2017 under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008).
- 1.2 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).
- 1.3 The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. During the period, the Fund has offered three plans namely NAFA Islamic Active Allocation Plan – VI (NIAAP - VI), NAFA Islamic Active Allocation Plan – VII (NIAAP - VII) and NAFA Islamic Active Allocation Plan – VIII (NIAAP - VIII) in which the offer of units is discontinued after the end of the subscription period, however, the subscription in units may be reopened for fresh issuance by the Management Company with prior approval of the SECP after intimation to the Trustee. The units of the Plan VI was initially offered for public subscription from 24 May 2017 to 26 May 2017 at initial price of Rs. 100 and received Rs. 985.106 million against IPO from various investors upto 26 May 2017. Accordingly the Fund commenced its business activities on 27 May 2017. Therefore, these first set of the financial statements have been prepared for the period from 27 May 2017 to 30 June 2017. The units of the plans are transferable and can be categorised as an Open-End "Shariah Compliant Fund of Funds" as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).
- 1.4 The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of shariah compliant equity fund and income fund. The allocation plan intends to dynamically switch between equity asset class (NAFA Islamic Active Allocation Equity Fund) and moderate risk income asset class (NAFA Active Allocation Riba Free Savings Fund) and Bank Deposits. Investors of the Fund may hold different types of Allocation Plans and may invest in any one or more of the available allocation plans. The Management Company may also invest in any other Collective Investment Schemes available to it with the prior approval of the SECP.
- 1.5 Each allocation plan under the Fund announces separate NAV which ranks pari passu according to the number of units of the respective allocation plans. The books and records of each plan have been maintained separately.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- 1.6 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company. The Fund has not yet been rated.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as a Trustee of the Fund. The Fund property of different types of allocations plans shall be accounted for and maintained separately in books of accounts which shall collectively constitute the Fund property of the Scheme.
- 1.8 The duration of the Fund / allocation plans is perpetual. However, the initial maturities of NIAAP - VI , NIAAP - VII and NIAAP - VIII shall be two years from the close of the subscription period. The Management Company may open the subscription of units after initial maturities with the prior approval of the SECP. SECP or the Management Company may wind allocation plans on the occurrence of certain events as specified in offering document of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the repealed Companies Ordinance, 1984, 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 NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail. (Refer note 4.2.2)

- 2.1.1 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.2 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (2)(f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30 June 2017 except for change in accounting policy as stated in note 3.2.
- 3.2 Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement.

SECP through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from “accounting income”. As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to “Income Statement” and “Statement of Movement in Unit Holders' Fund” and recording of element of income / loss included in price of unit issued or redeemed in Statement of movements in reserves or unit holders' fund.

In view of above SRO, the management has change its accounting policy relating to recording of element of income / loss – net on account of redemption of units to the extent that it is represented by income earned or loss during the accounting period from income statement to Unit holders' Fund after adjustment of refund paid out of contribution and recording of element of income / loss – net on account of issuance of units directly in equity instead of income statement and has presented changes as required by SRO in this condense interim financial information.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the loss of NIAAP - VI, NIAAP - VII and NIAAP - VIII would have been lower by Rs. 19.210 million, 0.226 million and 0.411 million respectively. However the change in accounting policy does not have any impact on NAV per unit.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

4 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

4.1 Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 01 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

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

4.2.1 During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from 01 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 01 July 2018. The Fund is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the other impact on adoption of the Standards. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

4.2.2 The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Hence, the provision of the Companies Act, 2017 will be applicable for the preparation of financial statements for the reporting periods ending after 31 December 2017. The Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.

5 USE OF JUDGEMENTS AND ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to annual financial statements as at and for the year ended 30 June 2017.

6 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements as at and for the year ended 30 June 2017.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

7 BANK BALANCES

	31 December 2017				30 June 2017		
	Unaudited				Audited		
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	Total	NIAAP - VI	NIAAP - VII	Total
	(Rupees in '000)						
In current account	917	1	132	1,050	780	-	780
In savings accounts	40,458	17,825	63,431	121,714	67,860	176,697	244,557
	<u>41,375</u>	<u>17,826</u>	<u>63,563</u>	<u>122,764</u>	<u>68,640</u>	<u>176,697</u>	<u>245,337</u>

7.1 These carry profit at the rates ranging from 5.50% to 6.00% (30 June 2017: 5.5% to 6.25%) per annum.

8 INVESTMENTS

	31 December 2017				30 June 2017		
	Unaudited				Audited		
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	Total	NIAAP - VI	NIAAP - VII	Total
	(Rupees in '000)						

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

Investment in mutual funds - related parties

8.1	<u>515,427</u>	<u>191,223</u>	<u>652,333</u>	<u>1,358,983</u>	<u>828,864</u>	<u>92,805</u>	<u>921,669</u>
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8.1 Investment in mutual funds - related parties

8.1.1 NAFA Islamic Active Allocation Plan VI

Name of Fund	As at 1 July 2017	Purchased during the period	Redeemed during the period	As at 31 December 2017	Market value / carrying value as at 31 December 2017 (Rupees in '000)	Market value as a percentage of net assets	Market value as a percentage of total investments
	(Number of units)				(Rupees in '000)	(%)	
NAFA Islamic Active Allocation Equity Fund	36,937,734	4,859,890	14,690,379	27,107,245	303,645	54.89	58.91
NAFA Islamic Active Allocation Riba Free Savings Fund	33,269,542	11,277,199	23,806,369	20,740,372	211,782	38.29	41.09
Total	<u>70,207,276</u>	<u>16,137,089</u>	<u>38,496,748</u>	<u>47,847,617</u>	<u>515,427</u>	<u>93.18</u>	<u>100.00</u>

Carrying value before fair value adjustment as at 31 December 2017

571,154

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

8.1.2 NAFA Islamic Active Allocation Plan VII

Name of Fund	As at 1 July 2017	Purchased during the period	Redeemed during the period	As at 31 December 2017	Market value / carrying value as at 31 December 2017 (Rupees in '000)	Market value as a percentage of net assets (%)	Market value as a percentage of total investments
			(Number of units)				
NAFA Islamic Active Allocation Equity Fund	6,916,095	3,661,781	523,098	10,054,778	112,629	54.89	58.90
NAFA Islamic Active Allocation Riba Free Savings Fund	-	13,397,220	5,700,340	7,696,880	78,594	38.30	41.10
Total	6,916,095	17,059,001	6,223,438	17,751,658	191,223	93.19	100.00
Carrying value before fair value adjustment as at 31 December 2017					209,600		

8.1.3 NAFA Islamic Active Allocation Plan VIII

Name of Fund	As at 1 July 2017	Purchased during the period	Redeemed during the period	As at 31 December 2017	Market value / carrying value as at 31 December 2017 (Rupees in '000)	Market value as a percentage of net assets (%)	Market value as a percentage of total investments
			(Number of units)				
NAFA Islamic Active Allocation Equity Fund	-	24,500,011	-	24,500,011	274,439	38.42	42.07
NAFA Islamic Active Allocation Riba Free Savings Fund	-	55,468,272	18,460,170	37,008,102	377,894	52.91	57.93
Total	6,916,095	79,968,283	18,460,170	61,508,113	652,333	91.33	100.00
Carrying value before fair value adjustment as at 31 December 2017					654,664		

8.2 Net unrealised (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'

		31 December 2017 (Unaudited)			
		NIAAP - VI	NIAAP - VII	NIAAP - VIII	Total
		(Rupees in '000)			
Market value of investments	8.1	515,427	191,223	652,333	1,358,983
Less: Carrying value of investments	8.1	(571,154)	(209,600)	(654,664)	(1,435,418)
		<u>(55,727)</u>	<u>(18,377)</u>	<u>(2,331)</u>	<u>(76,435)</u>

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

9 PRELIMINARY EXPENSES AND FLOTATION COSTS

	31 December 2017 (Unaudited)				30 June 2017 (Audited)		
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	Total	NIAAP - VI	NIAAP - VII	Total
	(Rupees in '000)						
Opening Balance	1,354	208	-	1,562			
Incurred during the period	-	-	-	-	1,432	208	1,640
Allocation to Plan VIII	(400)	(61)	461	-			
Less: Amortisation for the period	(317)	(49)	(36)	(402)	(78)	-	(78)
Balance at end of the period	637	98	425	1,160	1,354	208	1,562

9.1 Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of two periods as per the requirements set out in the Trust Deed of the NIAAP-VI, NIAAP-VII and NIAAP-VIII commencing from 27 May 2017, 30 June 2017 and 4 November 2017 respectively.

10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration to Management Company	10.1	45	13	41	99	112	3	115
Sindh Sales Tax on management remuneration	10.2	6	2	5	13	15	-	15
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	347	54	114	515	88	1	89
Sales and transfer load		2,161	3,135	-	5,296	2,161	1,831	3,992
Sindh Sales Tax on sales load		281	408	-	689	281	238	519
Preliminary expenses and flotation costs		1,034	145	462	1,641	1,432	208	1,640
Other payable		20	15	10	45	20	15	35
		3,894	3,772	632	8,298	4,109	2,296	6,405

10.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged remuneration at the rate of 1.25% per annum based on the average daily net assets of the allocation plans after deducting the market value of investment in collective investments, managed by the Management Company of the Fund. The amount of remuneration is being paid monthly in arrears.

10.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on management remuneration and sales load.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- 10.3** Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged at the rate of 0.1% of average annual net assets of the Fund.

11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Trustee remuneration		49	17	61	127	75	1	76
Sindh Sales Tax on Trustee remuneration	11.1	6	2	8	16	10	-	10
		<u>55</u>	<u>19</u>	<u>69</u>	<u>143</u>	<u>85</u>	<u>1</u>	<u>86</u>

- 11.1** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015. During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on trustee remuneration.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	99	75	107	281	76	35	111
Bank charges	48	-	4	52	21	4	25
Printing charges	17	14	17	48	35	20	55
Legal fee	30	24	15	69	15	10	25
Shariah advisor fee	100	38	26	164	37	-	37
Withholding tax	10	14	1,368	1,392	1,290	-	1,290
	<u>304</u>	<u>165</u>	<u>1,537</u>	<u>2,006</u>	<u>1,474</u>	<u>69</u>	<u>1,543</u>

13 CONTINGENCY AND COMMITMENT

There was no contingency and commitment outstanding as at 31 December 2017.

14 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

15 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 0.59%, 0.62% and 0.20% per annum of NIAAP-VI, NIAAP-VII and NIAAP-VIII respectively. Total expense ratio (excluding government levies) is 0.47%, 0.49% and 0.17% per annum of NIAAP-VI, NIAAP-VII and NIAAP-VIII respectively.

16 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

16.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Pension Fund, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding 10 percent or more units of the Fund.

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

16.3 Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

16.4 The details of significant transactions and balances with connected persons at period end except those disclosed elsewhere in these financial statements are as follows:

16.5 Transactions during the period:

	For the period 31 December 2017	For the period 4 November 2017 to 31 December 2017	Total
	NIAAP - VI	NIAAP - VII	NIAAP - VIII
	(Rupees in '000)		
NBP Fullerton Asset Management Limited- Management Company			
Remuneration to Management Company	338	173	142
Sindh Sales Tax on remuneration of Management Company	44	23	18
Allocation of expenses related to registrar services, accounting, operation and valuation services	348	54	114
Preliminary expenses and floatation costs	317	49	36
Central Depository Company of Pakistan Limited - Trustee			
Remuneration to the Trustee	348	111	114
Sindh Sales Tax on remuneration to Trustee	45	14	15
Employees of the Management Company			
Units issued : 103 units (NIAAP-VII), 1940 units (NIAAP-VIII)	-	10	194

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	For the period 31 December 2017		For the period 4 November 2017 to 31 December 2017	Total
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	
	(Rupees in '000)			
Investment in NAFA Islamic Active Allocation Equity Fund				
Units purchased: 4,859,890 units (NIAAP-VI) , 3,661,782 units (NIAAP-VII), 24,500,011 units (NIAAP-VIII)	62,636	46,410	279,033	388,079
Cash distributions during the period	6,725	1,850		8,575
Units Sold: 14,690,378 units (NIAAP-VI) , 523,098 units (NIAAP-VII),	170,795	5,860	-	176,655
Investment in NAFA Islamic Active Allocation Riba Free Savings Fund				
Units purchased: 11,277,199 units (NIAAP-VI), 13,397,220 units (NIAAP-VII), 55,468,271 units (NIAAP-VIII)	114,545	134,499	563,000	812,044
Units Sold: 23,806,370 units (NIAAP-VI) , 5,700,340 units (NIAAP-VII), 18,460,170 units (NIAAP-VIII)	240,002	57,460	188,313	485,775
BankIslami Pakistan Limited				
Markup on balances	1,711	638	905	3,254

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

16.6 Amounts outstanding as at period end:

Amounts outstanding as at period end:	31 December 2017				30 June 2017		
	Unaudited				Audited		
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	Total	NIAAP - VI	NIAAP - VII	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
NBP Fullerton Asset Management Limited - Management Company							
Management remuneration payable	45	13	41	99	112	3	115
Sindh Sales Tax payable	6	2	5	13	15	-	15
Allocation of expenses related to registrar services, accounting, operation and valuation services	347	54	114	515	88	1	89
Sales load and transfer load payable	2,161	3,135	-	5,296	2,161	1,831	3,992
Sindh Sales Tax on sales load	281	408	-	689	281	238	519
Other payable	20	15	10	45	20	15	35
Preliminary expenses and floatation costs payable	1,034	145	462	1,641	1,432	208	1,640
Units held : 499,812 units (30 June 2017: 499,812 units) (NIAAP-VII)		46,130		46,130	-	49,970	49,970
Employees of the Management Company							
Units held: 1,935 units (30 June 2017: 1,935) (NIAAP-VI), 103 units (30 June 2017: Nil) (NIAAP-VII), 1940 units (NIAAP-VIII)	167	9	194	370	183	-	183
Central Depository Company of Pakistan Limited - Trustee							
Remuneration payable	49	17	61	127	75	1	76
Sindh Sales Tax payable on remuneration to Trustee	6	2	8	16	10	-	10
NAFA Islamic Active Allocation Equity Fund							
Units held: 27,107,246 units (30 June 2017: 36,937,734 units) (NIAAP-VI) 10,054,779 units (30 June 2017: 6,916,065 units) (NIAAP-VII), 24,500,011. units (NIAAP-VIII)	303,645	112,630	274,439	690,714	495,656	92,805	588,461
Payable against purchase of investment	-	-	-	-	-	92,805	92,805
NAFA Islamic Active Allocation Riba Free Savings Fund							
Units held: 20,740,371 units (30 June 2017: 33,269,542 units) (NIAAP-VI), 7,696,880 units (30 June 2017: Nil) (NIAAP-VII) 37,008,101 units (NIAAP-VIII)	211,782	78,594	377,893	668,269	333,208	-	333,208
BankIslami Pakistan Limited							
Bank balances	39,525	17,689	62,782	119,996	66,856	137,350	204,206

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund in current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

IFRS 13, 'Fair Value Measurement' requires the Fund to classify fair value measurements 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in fair value hierarchy.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

As at 31 December 2017								
NIAAP-VI								
Carrying value				Fair value				
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
Mutual funds - related parties	515,427	-	-	515,427	-	515,427	-	515,427
Financial assets not measured at fair value								
17.1								
Bank balances	-	41,375	-	41,375	-	-	-	-
Profit receivable on bank deposits	-	238	-	238	-	-	-	-
Advance and other receivable	-	47	-	47	-	-	-	-
Preliminary expenses and floatation costs	-	637	-	637	-	-	-	-
	-	42,297	-	42,297	-	-	-	-
Financial liabilities not measured at fair value								
17.1								
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	3,894	3,894	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	55	55	-	-	-	-
Payable against redemption of units	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	-	-	294	294	-	-	-	-
	-	-	4,243	4,243	-	-	-	-

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

		As at 31 December 2017						
		NIAAP-VII						
		At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
Mutual funds - related parties		191,223	-	-	191,223	-	191,223	-
Financial assets not measured at fair value	17.1							
Bank balances		-	17,826	-	17,826	-	-	-
Profit receivable on bank deposits		-	88	-	88	-	-	-
Advance and other receivable		-	16	-	16	-	-	-
Preliminary expenses and floatation costs			98		98			
		-	18,028	-	18,028	-	-	-
Financial liabilities not measured at fair value	17.1							
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	3,772	3,772	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	19	19	-	-	-
Accrued expenses and other liabilities		-	-	151	151	-	-	-
		-	-	3,942	3,942	-	-	-

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

		As at 31 December 2017							
		NIAAP-VII							
		At fair value through profit or	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
Mutual funds - related parties		652,333	-	-	652,333	-	652,333	-	652,333
Financial assets not measured at fair value	17.1								
Bank balances		-	63,563	-	63,563	-	-	-	-
Profit receivable on bank deposits		-	245	-	245	-	-	-	-
Advance and other receivable		-	5	-	5	-	-	-	-
Preliminary expenses and floatation costs			425		425				
		-	64,238	-	64,238	-	-	-	-
Financial liabilities not measured at fair value	17.1								
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	632	632	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	69	69	-	-	-	-
Accrued expenses and other liabilities		-	-	1,537	1,537	-	-	-	-
		-	-	2,238	2,238	-	-	-	-

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

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

On-balance sheet financial instruments

Financial assets measured at fair value

Investments

Mutual funds - related parties

As at 30 June 2017							
NIAAP-VI							
Carrying value				Fair value			
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
828,864	-	-	828,864	-	828,864	-	828,864

Financial assets not measured at fair value

Bank balances

Profit receivable on bank deposits

-	68,640	-	68,640	-	-	-	-
-	947	-	947	-	-	-	-
-	69,587	-	69,587	-	-	-	-

Financial liabilities not measured at fair value

Payable to NBP Fullerton Asset Management

Limited - Management Company

Payable to Central Depository Company of

Pakistan Limited - Trustee

Payable against redemption of units

Accrued expenses and other liabilities

-	-	4,109	4,109	-	-	-	-
-	-	85	85	-	-	-	-
-	-	186	186	-	-	-	-
-	-	184	184	-	-	-	-
-	-	4,564	4,564	-	-	-	-

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

On-balance sheet financial instruments

Financial assets measured at fair value

Investments

Mutual funds - related parties

Financial assets not measured at fair value

Bank balances

Profit receivable on bank deposits

Advance and other receivable

Financial liabilities not measured at fair value

Payable to NBP Fullerton Asset Management

Limited - Management Company

Payable to Central Depository Company of

Pakistan Limited - Trustee

Payable against purchase of investment

Accrued expenses and other liabilities

As at 30 June 2017							
NIAAP-VII							
Carrying value				Fair value			
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
92,805	-	-	92,805	-	92,805	-	92,805
-	176,697	-	176,697	-	-	-	-
-	36	-	36	-	-	-	-
-	3	-	3	-	-	-	-
-	176,736	-	176,736	-	-	-	-
-	-	2,296	2,296	-	-	-	-
-	-	1	1	-	-	-	-
-	-	92,805	92,805	-	-	-	-
-	-	69	69	-	-	-	-
-	-	95,171	95,171	-	-	-	-

18 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on February 22, 2018.

**For NBP Fullerton Asset Management Limited
(Management Company)**



NBP Fullerton
Asset Management Ltd.

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