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

NAFA ISLAMIC ASSET ALLOCATION FUND

ANNUAL REPORT 2017



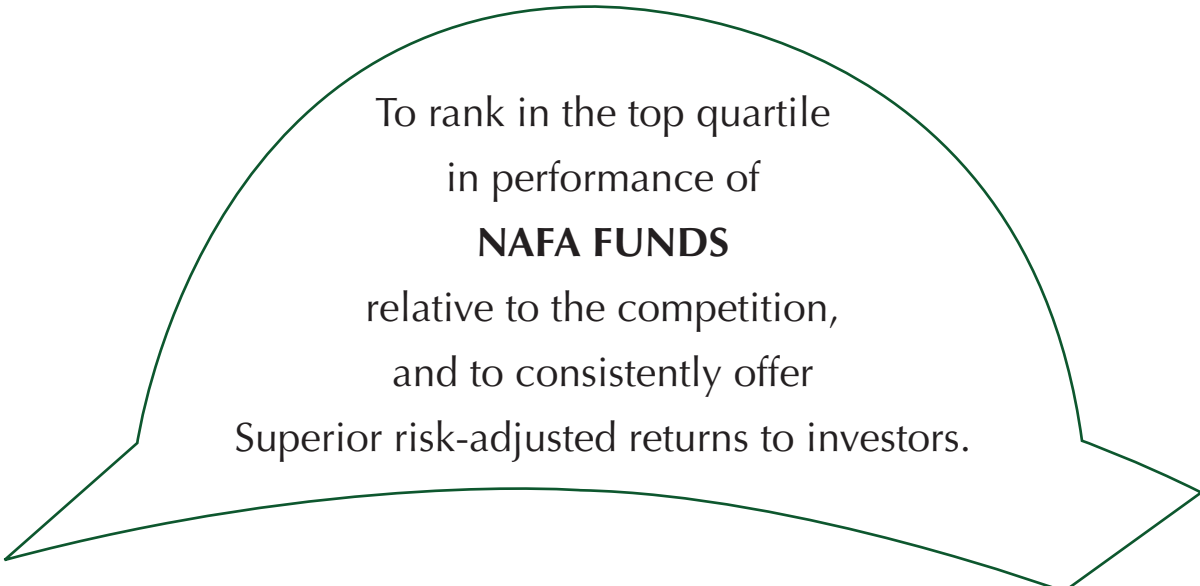
Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA ISLAMIC ASSET ALLOCATION FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shakra-e-Faisal, Karachi.

Bankers to the Fund

Al-Baraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
Bank Al-Habib Limited
Dubai Islamic Bank Pakistan Limited
Silk Bank Limited
Summit Bank Limited
Sindh Bank Limited
JS Bank Limited

NAFA ISLAMIC ASSET ALLOCATION FUND

Auditors

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

Legal Advisor

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

Head Office:

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

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 ASSET ALLOCATION FUND

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Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Mudassir Husain Khan
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Lui Mang Yin (Martin Lui)
Director



Mr. Tariq Jamali
Director



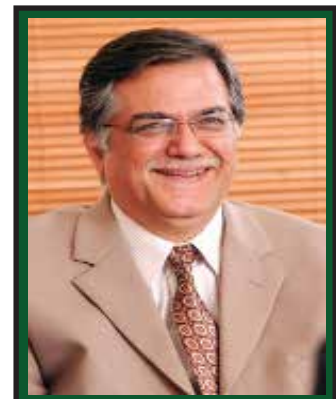
Mr. Shehryar Faruque
Director



Dr. Foo Chiah Shiung (Kelvin Foo)
Director

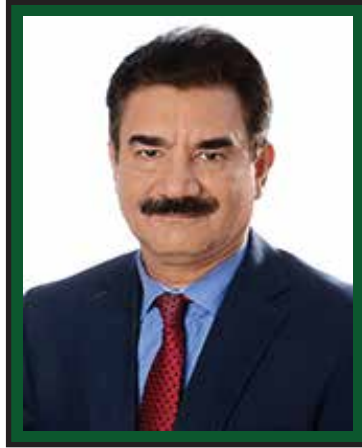


Mr. Abdul Hadi Palekar
Director



Mr. Humayun Bashir
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Hassan Raza, CFA
Head of Research



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



Mr. Taha Khan Javed, CFA
Head of Equity



Syed Ali Azhar Hasani
Head of Internal Audit



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman, ACA
Senior Manager Compliance



Mr. Shahbaz Umer
Head of Human Resource &
Administration

NAFA ISLAMIC ASSET ALLOCATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Tenth Annual Report of **NAFA Islamic Asset Allocation Fund** for the year ended June 30, 2017.

Fund's Performance

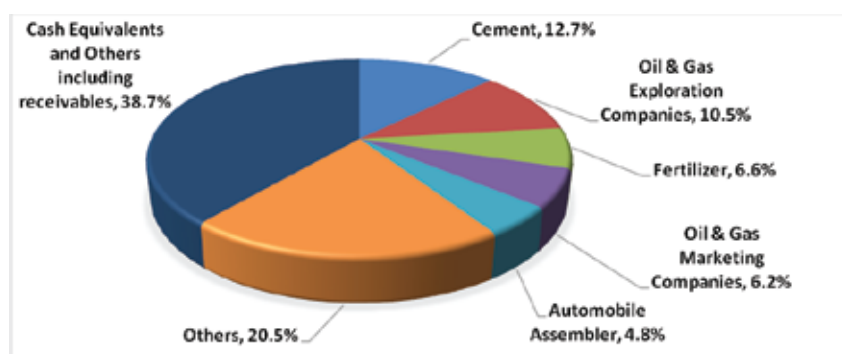
Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by a hefty 26.5% during 1HFY17 while in the later half the market declined by 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) supportive investment backdrop with rising economic growth, controlled inflation & interest rates, healthy corporate earnings growth and attractive stock market valuations; (ii) Pakistan's re-classification to MSCI Emerging Market Index effective June 2017; (iii) CPEC related investment activity gaining traction; and (iv) equity related mutual funds attracting hefty inflows on account of paltry yields on fixed income avenues. The optimism of the first half of the fiscal year began to fade on the back of many negatives : (i) rising domestic political uncertainty with the start of court proceeding against the Prime Minister in the Panama Leaks Case; (ii) renewed decline in the global oil prices that weighed in on the index heavy Oil & Gas and Banking sectors; (iii) SECP's drive to curb in-house badla financing sparking concern in the market; and (iv) rising risks to the Balance of Payment (BoP) position from widening trade and current account deficits. A big disappointment for investors was absence of meaningful net foreign portfolio inflows during PSX reclassification into MCSI Emerging Market Index. Foreign investors remained net sellers throughout the year, offloading equity stakes worth USD652mn in FY17 that was mainly absorbed by Mutual Funds and Insurance Companies.

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

Trading activity in corporate Sukuks slightly improved with cumulative trade value of Rs 9.1 billion in FY17 compared to Rs 7.7 billion last year. The trades remained skewed towards high quality debt issues, mainly concentrated towards the Banking sector with 71% contribution. Dearth of primary issuance and rising demand kept the yield spread tightened in the secondary market.

During the fiscal year, the return on NAFA Islamic Asset Allocation Fund was 20.31% as against the benchmark return of 11.94% translating into an out-performance of 8.37% during the year. The Fund was overweight in key stocks in Automobile Assembler, Automobile Parts & Accessories, Engineering, Textile Composite, and Oil & Gas Exploration Companies sectors that outperformed the market and underweight in key stocks in Fertilizer, Pharmaceutical, Food & Personal Care Product, and Power Generation & Distribution Companies sectors that underperformed the market, which contributed to the outperformance. Since inception (October 26, 2007), NIAAF has risen by 344.23%, whereas the Benchmark has risen by 184.14%, thus to date outperformance is 160.09%.

NAFA Islamic Asset Allocation Fund has earned total income of Rs.2,697.42 million during the year. After deducting total expenses of Rs.351.98 million, the net income is Rs.2,345.44 million. During the year, the unit price of NAFA Islamic Asset Allocation Fund has increased from Rs.14.1982 (Ex-Div) on June 30, 2016 to Rs.17.0820 on June 30, 2017. The resultant per unit gain is Rs.2.8838 i.e.20.31%. The asset allocation of NAFA Islamic Asset Allocation Fund as on June 30, 2017 is as follows:



NAFA ISLAMIC ASSET ALLOCATION FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 10.50% of opening ex-NAV (16.38% of the par value) during the year. Further, The Board has also approved final cash dividend of 0.60% of the opening ex-NAV(0.94% of the par value), subsequent to the year end.

Taxation

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

Auditors

The present auditors, Messer Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2018.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the current financial year. The attendance of all directors is disclosed in the note 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 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 23 to these financial statements.

NAFA ISLAMIC ASSET ALLOCATION FUND

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 15, 2017
Place: Karachi.

NAFA ISLAMIC ASSET ALLOCATION FUND

ڈائریکٹرز رپورٹ

این بی پی فلٹرن ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) کی دسویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

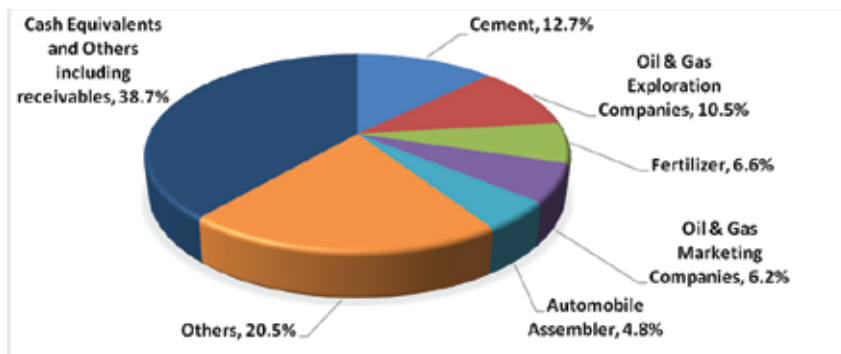
فنڈ کی کارکردگی

مالی سال 2016-17 کو دو ششماہوں میں منقسم کیا جاسکتا ہے۔ سال 17 کی پہلی ششماہی میں مارکیٹ میں 26.5% کا شاندار اضافہ ہوا جب کہ دوسری ششماہی میں نسبتاً اتار چڑھاؤ کے ساتھ مارکیٹ گر کر 2.6% پر آگئی۔ مالی سال 17 کا آغاز بڑے مثبت انداز میں ہوا جس میں سرمایہ کار سرگرم رہے جس کی وجہ مختلف مثبت پیش رفت تھی جیسے (i) معاشی نمو میں اضافہ کی بدولت سرمایہ کاری کے لئے موافق پس منظر، افراط زر اور سود کی شرح پر کنٹرول، کارپوریٹ کی آمدنی میں بڑا اضافہ اور اسٹاک مارکیٹ کی پرکشش قدر و قیمت (ii) MSCI ایمریکن مارکیٹ انڈیکس میں جون 2017ء میں پاکستان کی دوبارہ درجہ بندی؛ (iii) چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرمایہ کاری کی سرگرمیوں میں تیزی کا رجحان اور (iv) حصص پر مبنی میوچل فنڈز کے پرکشش ہونے کے سبب داخلی بہاؤ میں نمایاں اضافہ جس کی وجہ فکسڈ انکم ذرائع میں معمولی آمدنی کا حصول تھا۔ بعد ازاں مالی سال کی پہلی ششماہی کے مثبت رجحانات مختلف منفی وجوہات کی بنا پر معدوم پڑنے لگیں۔ جیسے (i) پانامہ لیکس کیس میں وزیر اعظم کے خلاف عدالتی کارروائی کے آغاز سے ملک میں سیاسی غیر یقینی کی کیفیت (ii) عالمی سطح پر تیل کی قیمتوں میں دوبارہ کمی جس سے آئل اور گیس اور بینکنگ کے شعبہ جات کے انڈیکس پر دباؤ پڑا (iii) سکیورٹی ایجنٹوں کی پھیلنے والی کارروائی (SECP) کی جانب سے ان ہاؤس بدلہ فنڈنگ میں رکاوٹ ڈالنے سے مارکیٹ میں تشویش پائی گئی اور (iv) تجارت اور کرنٹ اکاؤنٹ میں بڑھتے ہوئے خسارے کے سبب توازن ادائیگی (BoP) میں بڑھتے ہوئے خدشات۔ سرمایہ کاروں کو اس وقت بہت مایوسی ہوئی جس کا MCSI ایمریکن مارکیٹ انڈیکس میں پاکستان اسٹاک ایکسچینج (PSX) کی دوبارہ درجہ بندی کے باوجود با مقصد خالص بیرون ملک زرمبادلہ نہ حاصل ہو پایا۔ پورے سال میں بیرونی سرمایہ کار خالص فروخت کنندہ رہے اور مالی سال 17 کے دوران 652 ملین یو ایس ڈالر کی ایکویٹی فروخت ہوئی جو زیادہ تر میوچل فنڈز اور بیمہ کمپنیوں میں جذب ہو گئی۔

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

کارپوریٹ TFCs/Sakus کی تجارتی سرگرمیوں میں کچھ بہتری آئی اور مالی سال 17 میں ان کی مجموعی تجارتی قدر 9.1 ملین روپے رہی جو گزشتہ سال 7.7 ملین روپے تھی۔ تجارت کا جھکاؤ داخلی سطح کے قرضہ جات کی جانب رہا جس میں خاص طور پر بینکنگ کے شعبہ کا حصہ 71% تھا۔ ابتدائی اجراء کی قلت اور طلب میں اضافہ سے ثانوی مارکیٹ میں منافع کی صورتحال اوسط رہی۔ مذکورہ مالی سال میں NAFA اسلامک ایسیٹ ایلیکشن فنڈ نے 11.94% بیچ مارک منافع کے مقابلے میں 20.31% کا منافع دیا، اس طرح فنڈ نے سال کے دوران 8.37% کی اضافی کارکردگی کا مظاہرہ کیا۔ فنڈ نے آٹوموبائل اسمبلرز، آٹوموبائل پارٹس اینڈ ایسیسریز، انجنیئرنگ، ٹیکسٹائل کمپوزٹ اور آئل اور گیس کی ایکسپلوریشن کمپنیوں کے شعبوں میں اضافی تناسب رکھنے کی بنا پر بہتر کارکردگی دکھائی۔ جبکہ فرٹیلائزرز، فارماسیوٹیکل، فوڈ اینڈ پراسسنگ اور پاور جنریشن اینڈ ڈسٹری بیوٹن کمپنیوں کے سیکٹرز میں نسبتاً کم تناسب رکھنے کی بنا پر کارکردگی معمول سے کم رہی اور اس کا اثر اضافی کارکردگی کے نتائج پر پڑا۔ اپنے قیام (26 اکتوبر 2007) سے اب تک NIAAF نے اپنے بیچ مارک منافع کے مقابلے میں 184.14% سے بڑھ کر 344.23% ہو گیا، لہذا اب تک 160.09% کی بہتر کارکردگی دکھائی۔

NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) نے اس سال کے دوران 2,697.42 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 351.98 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 2,345.44 ملین روپے رہی۔ اس سال کے دوران NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) کے یونٹ کی قیمت 30 جون 2016 کو 14.1982 روپے (Ex-Div) سے بڑھ کر 30 جون 2017 کو 17.0820 روپے ہو چکی ہے۔ اس کے نتیجے میں فی یونٹ منافع 2.8838 یعنی 20.31% ہے۔ NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) کی ایسیٹ ایلیکشن 30 جون 2017 کو مطابق ذیل ہے:



NAFA ISLAMIC ASSET ALLOCATION FUND

آمدنی کی تقسیم

منجھٹ کمپنی کے بورڈ آف ڈائریکٹرز نے اس سال کے دوران میں اوپننگ ex-NAV کے 10.50% (بنیادی قدر کا 16.38%) نقد ڈیویڈنڈ کی منظوری دی ہے۔ مزید برآں سال کے اختتام کے بعد بورڈ آف ڈائریکٹرز نے ex-NAV کی اوپننگ کا 0.60% (مساوی قیمت کا 0.94%) حتمی کیش ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

درج بالا نقد منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کمپیٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر آگم ٹیکس آرڈیننس 2001 کے سیکشن 110 کے تحت ٹیکس لگائیں گے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز ڈی لوائٹ یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2018 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

کوڈ آف کارپوریٹ گورننس پر عمل درآمد کے سلسلے میں ڈائریکٹرز کا اسٹیٹمنٹ

(1) انتظامیہ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹس میں فنڈ کے معاملات کی صورت حال، اس کے آپریشنز کے نتائج، قومات کے بہاؤ اور فنڈ کے یونٹ ہولڈرز کی حمل و نقل کے اسٹیٹمنٹ کو شفاف طور پر پیش کیا گیا ہے۔

(2) فنڈ کے حسابات کیلئے کھاتوں کو درست طور پر مرتب کیا گیا ہے۔

(3) مالیاتی اسٹیٹمنٹس کی تیاری میں ہر جگہ حسابات کی پالیسی کو درست طور پر استعمال کیا گیا ہے اور حسابات کے تخمینے کے سلسلے میں مناسب ترین اور دانشمندانہ فیصلے کئے گئے ہیں۔

(4) مالیاتی اسٹیٹمنٹس، پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی بنیاد پر تیار کئے گئے ہیں۔

(5) اندرونی کنٹرول کے نظام کی تشکیل نہایت مضبوط ہے اور ان کا نفاذ اور گرامی موثر طور پر کی جا رہی ہے۔

(6) موجودہ حیثیت میں کام جاری رکھنے کیلئے فنڈ کی اہلیت میں کوئی شک و شبہ نہیں ہے۔

(7) اصول و ضوابط کی فہرست میں درج کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی بات خارج نہیں کی گئی ہے۔

(8) اس سالانہ رپورٹ میں کارکردگی کا جدول / بنیادی مالیاتی معلومات شامل کی گئی ہیں۔

(9) ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا قومات، اگر کوئی ہے، مالیاتی اسٹیٹمنٹس میں پوری طرح واضح کی گئی ہیں۔

(10) موجودہ مالی سال کے دوران میں بورڈ آف ڈائریکٹرز کی چار میٹنگز منعقد ہوئیں۔ ان میں تمام ڈائریکٹرز کی حاضری کی تفصیلات ان مالیاتی اسٹیٹمنٹس کے نوٹ 27 میں درج ہیں۔

(11) یونٹ ہولڈنگ کا تفصیل طرز ان مالیاتی اسٹیٹمنٹس کے نوٹ 26 میں درج ہے۔

(12) ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، ان کے شریک حیات اور چھوٹے بچوں کے، فنڈ کے یونٹس کے کاروبار میں شرکت کی معلومات ان مالیاتی اسٹیٹمنٹس کے نوٹ 23 میں درج ہیں۔

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجھٹ 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 اسٹیٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

15 ستمبر 2017ء

مقام: کراچی

NAFA ISLAMIC ASSET ALLOCATION FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC ASSET ALLOCATION 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 Asset Allocation Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 29, 2017

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA ISLAMIC ASSET ALLOCATION FUND FOR THE YEAR ENDED JUNE 30, 2017

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 Islamic Asset Allocation 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.

NBP Fullerton Asset Management Limited, the Management Company, is not listed and hence, the CCG is not applicable to it. However, the Fund being listed on Pakistan Stock Exchange comes under the ambit of the CCG. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and appoints the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

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, 2017, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Lui Mang Yin 5. Dr. Kelvin Foo

The independent directors meet 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. Two casual vacancies were occurred on the board on November 21, 2016 and March 17, 2017 which were filled up on the same dates.
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 ISLAMIC ASSET ALLOCATION 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 2017, four directors of the Company had acquired the director's training certificate as required under the CCG. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Head of Internal Audit of the Company with remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Chief Financial Officer (CFO) 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 23 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 and the chairman of the committee is an independent director.

NAFA ISLAMIC ASSET ALLOCATION FUND

18. The Board has set up an effective internal audit function headed by the Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
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. The 'closed period', prior to the announcement of interim / final results, and business decisions was determined and intimated to directors, employees and stock exchange except for 60th and 61st meeting of the Board of Directors.
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 expect the following:
 - 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.
 - the Company has not complied with the requirements relating to maintenance of register of persons employed having access to inside information nor any senior management officer has been designated by the Company responsible for maintaining proper record including basis for inclusion or exclusion of names of persons from the said list.

For and behalf of the Board

September 15, 2017
Karachi

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC ASSET ALLOCATION FUND

FUND MANAGER REPORT

NAFA Islamic Asset Allocation Fund (NIAAF) is an Open-ended Shariah Compliant Asset Allocation Fund

Investment Objective of the Fund

Objective of NIAAF is to generate capital appreciation by investing in Shariah Compliant equity and equity related securities and income by investing in Shariah Compliant bank deposits, debt & money market securities.

Benchmark

Daily weighted return of KMI-30 Index & 6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP, based on Fund's actual allocation, effective from September 01, 2016. Previously average of (i) average 3-months Islamic banks deposit rate (ii) 6-months KIBOR or its Shariah Complaint Equivalent (iii) KMI 30 Index.

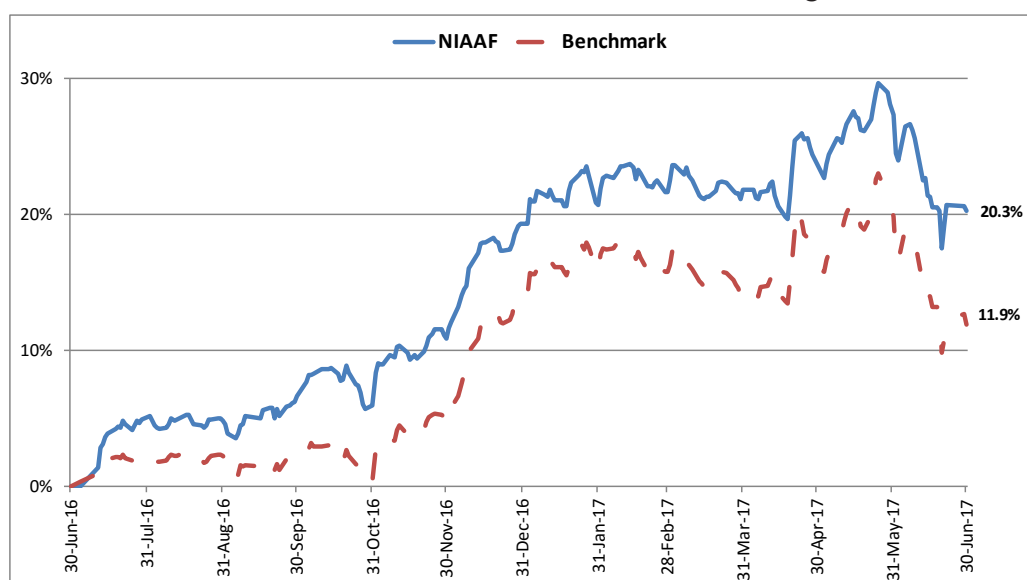
The fund category was changed to Islamic Asset Allocation from Islamic Balanced with effect from April 22, 2014. Consequently, allowed equity range is now 0% to 90% which previously was 30% to 70%. Previous benchmark was 50% KSE-30 Index & 50% 3-month Islamic Bank Deposit.

Fund performance review

This is the tenth annual report of the Fund. During the year under review, dividend adjusted Net Asset Value (NAV) of NAFA Islamic Asset Allocation Fund (NIAAF) increased by 20.31%, whereas the benchmark increased by 11.94%, thus an outperformance of 8.37% was recorded. Since inception (October 26, 2007), NIAAF has risen by 344.23%, whereas the benchmark has increased by 184.14%, thus to date out-performance is 160.09%. This outperformance is net of management fee and all other expenses. Thus, NIAAF has met its investment objective. During the year, the fund size of NIAAF increased by 172% to Rs 14,764mn.

NIAAF outperformed during the year on the back of timely asset allocation and better than market performance of its key holdings in Automobile Assembler, Automobile Parts & Accessories, Engineering, Textile Composite, and Oil & Gas Exploration Companies sectors. Moreover, contribution to the Fund's performance also came from its underweight position in select companies of Fertilizer, Oil & Gas Exploration Companies, Pharmaceutical, Food & Personal Care Product, and Power Generation & Distribution Companies sectors that lagged the market. The chart below shows the performance of NIAAF against the Benchmark for the year.

NIAAF Performance vs. Benchmark during FY17



NAFA ISLAMIC ASSET ALLOCATION FUND

NIAAF was around 62% invested in equities at the beginning of the year. During the year, we adjusted the allocation of the Fund based on our view on different asset classes. Towards the end of the year, NIAAF was around 61.3% invested in equities.

Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by hefty 26.5% during 1HFY17 while in the later half the market surrendered return of 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) supportive investment backdrop with rising economic growth, controlled inflation & interest rates, healthy corporate earnings growth and attractive stock market valuations; (ii) Pakistan's re-classification to MSCI Emerging Market Index effective June 2017; (iii) CPEC related investment activity gaining traction; and (iv) equity related mutual funds attracting hefty inflows on account of paltry yields on fixed income avenues. The optimism of the first half began to fade on the back of many negatives : (i) rising domestic political uncertainty with the start of court proceeding against the Prime Minister in the Panama Leaks Case; (ii) renewed decline in the global oil prices that weighed in on the index heavy Oil & Gas and Banking sectors; (iii) SECP's drive to curb in-house badla financing sparking panic in the market; and (iv) rising risks to the Balance of Payment (BoP) position from widening trade and current account deficits. A big disappointment for investors was absence of meaningful net foreign portfolio inflows during PSX reclassification into MCSI Emerging Market index. Foreign investors remained net sellers throughout the year, offloading equity stakes worth USD652mn in FY17 that was mainly absorbed by Mutual Funds and Insurance Companies.

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

Trading activity in corporate Sukuks slightly improved with cumulative trade value of Rs 9.1 billion in FY17 compared to Rs 7.7 billion last year. The trades remained skewed towards high quality debt issues, which mainly concentrated towards the Banking sector with 71% contribution. Dearth of primary issuance and rising demand kept the yield spread tightened in the secondary market.

During the year, the provision for Workers' Welfare Fund held by the fund till June 30, 2015 has been reversed on January 12, 2017. Further, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from May 21, 2015. For further details, refer note 18 to the financial statements.

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-17	30-Jun-16
Equities / Stocks	61.28%	61.99%
Sukuks	-	0.83%
Cash Equivalent	44.05%	29.23%
Other Net Assets / (Liabilities)	-5.33%	7.95%
Total	100.00%	100.00%

NAFA ISLAMIC ASSET ALLOCATION FUND

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets
Eden Housing (Sukuk II)	SUKUK	4,921,875	4,921,875	-	-	-
Total		4,921,875	4,921,875	-	-	-

Distribution for the Financial Year 2017

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Interim	16.38%	18.7196	17.0820
Final	0.94%	16.1175	16.0238

Unit Holding Pattern of NAFA Multi Asset Fund as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
1-1000	737
1001-5000	1,124
5001-10000	1,191
10001-50000	3,644
50001-100000	1,600
100001-500000	1,227
500001-1000000	131
1000001-5000000	98
5000001-10000000	8
10000001-100000000	5
	9,765

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provision against Sindh Workers' Welfare Fund's liability to the tune of Rs 60.86 million. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs 0.0704/0.45%. For details investors are advised to read note 18 of the Financial Statement of the Scheme for the year ended June 30, 2017.

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Asset Allocation Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2017. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 15, 2017
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC ASSET ALLOCATION FUND

Report of the Shari'ah Advisor NAFA Islamic Asset Allocation Fund

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

Alhamdulillah, the period from July 1, 2016 to June 30, 2017 was the ninth year of operations of NAFA Islamic Asset Allocation Fund (NIAAF). This report is being issued in accordance with clause 3.6.8 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.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

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 in line with the Shari'ah 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 from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of equity investments of NIAAF in light of Shari'ah requirements. Following is a list of top investments of NIAAF as on June 30, 2017 and their evaluation according to the screening criteria established by us. (December 31, 2016 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii) Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation	Fertilizer	23.5%	22.29	0.73%	63%	(28.82)	
Mari Petroleum	Oil & Gas Exploration	5.85%	0.00%	0.17%	37.5%	(52.49)	
Lucky Cement Ltd	Cement	7.81	15.66%	2.87%	67%	1.64	866
DGKC	Cement	11.90%	3.29%	4.76%	90%	(37.70)	
PSO*	Oil & Gas Marketing Companies	33.64%	13.03%	1.10%	20%	95.40	434.21
Oil & gas Development Company *	Oil & Gas Exploration Companies	0.00	25.07%	6.21%	39%	59.07	165.35
Millat Tractors	Automobile	0.31%	20.72%	0.13%	51%	(15.25)	
The Hub Power Co.	Power Generation & Distribution	29.47	0.00%	0.18%	39%	(26.82)	

*OGDC & PSO scrip has been considered compliant due to circular debt issue and restriction on selling government securities.

NAFA ISLAMIC ASSET ALLOCATION FUND

- ii. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIAAF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NIAAF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIAAF for the year ended June 30, 2017 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 1,796,074/- was created and an amount of Rupees 2,256,653/- was available for disbursement into charity as of June 30, 2017. However, the rest of the provisional amount will be adjusted after the availability of their respective annual financial statements.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC ASSET ALLOCATION FUND

Independent Assurance Report to the Unit holders on the Statement of Compliance with the Shariah Principles

We have performed an independent assurance engagement of **NAFA Islamic Asset Allocation Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2017.

Management Company's responsibility

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

Responsibility of an independent assurance provider

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

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

The procedures performed included:

- Checking compliance of specific Shariah Principles relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2017 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah Principles for the year ended June 30, 2017.

Deloitte Yousuf Adil
Chartered Accountants
Dated: September 22, 2017
Karachi

NAFA ISLAMIC ASSET ALLOCATION FUND

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH 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 the NBP Fullerton Asset Management Limited, the Management Company of **NAFA Islamic Asset Allocation Fund** (the Fund) for the year ended June 30, 2017, to comply with the requirement of the Pakistan Stock Exchange Limited, where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. 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 of Director'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 related party transactions of the Fund 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 price 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 Fund's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2017.

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

Paragraph reference	Description
21	As per the Code, there should be announcement of 'closed period' prior to the announcement of interim / final results and any business decisions, however a 'closed period' was not announced before 60th and 61st board meeting.
23	No register is maintained enlisting persons employed under contract or otherwise who have access to inside information.
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.

Deloitte Yousuf Adil
Chartered Accountants
Date: September 22, 2017
Karachi

NAFA ISLAMIC ASSET ALLOCATION FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **NAFA Islamic Asset Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, cash flow statement, distribution statement and statement of movements in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's 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 Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, 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 financial position of the Fund as at June 30, 2017, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on Other Legal and Regulatory Requirements

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

Other Matter

The Financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated September 23, 2016 expressed an unmodified opinion thereon.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Naresh Kumar

Date: September 22, 2017
Karachi

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2017

	Note	2017	2016
		-----Rupees in '000-----	
ASSETS			
Balance with banks	4	6,044,017	1,615,172
Investments	5	9,047,063	3,414,159
Mark-up accrued and dividend receivable	6	56,542	11,803
Receivable against sale of investments		-	53
Receivable against transfer of units	7	4,861	564,154
Deposits, prepayments and other receivables	8	3,961	2,837
Total assets		15,156,444	5,608,178
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	112,880	41,294
Payable to Central Depository Company of Pakistan Limited - Trustee	10	1,533	590
Payable to the Securities and Exchange Commission of Pakistan	11	10,281	3,343
Payable against redemption of units		7,412	21,699
Payable against transfer of units	12	2,055	24,821
Payable against purchase of investments		2,027	-
Dividend payable		22,790	1,011
Accrued expenses and other liabilities	13	233,233	80,302
Total liabilities		392,211	173,060
NET ASSETS		<u>14,764,233</u>	<u>5,435,118</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>14,764,233</u>	<u>5,435,118</u>
Contingencies and commitments	14		
-----Number of units-----			
Number of units in issue	15	<u>864,317,639</u>	<u>348,584,676</u>
-----Rupees-----			
Net asset value per unit	16	<u>17.0820</u>	<u>15.5920</u>

The annexed note from 1 to 34 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 ASSET ALLOCATION FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 -----Rupees in '000-----	2016
INCOME			
Return / mark-up on:			
- bank balances		214,474	103,370
- sukuks		2,678	13,401
Dividend income		277,375	121,144
Net gain on sale of investments		26,628	17,803
Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading	5.6	1,058,393	270,392
Reversal of provision against non-performing sukuks		-	17,857
		<u>1,579,548</u>	<u>543,967</u>
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	204,699	78,648
Sindh Sales Tax on remuneration of the Management Company	9.2	26,611	12,772
Federal Excise Duty on remuneration of the Management Company	13.1	-	12,584
Reimbursement of operational expenses to the Management Company	9.3	10,235	2,509
Selling and marketing expenses charged by the Management Company	9.4	19,137	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	11,235	4,932
Sindh Sales Tax on remuneration of the Trustee	10.2	1,461	690
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	10,281	3,342
Securities transaction cost		5,382	3,196
Settlement and bank charges		890	673
Auditors' remuneration	17	546	511
Fund rating fee		90	186
Legal and professional charges		63	192
Annual listing fee		55	40
Printing charges		8	267
Shariah advisor fee		423	195
Total expenses		<u>291,116</u>	<u>120,737</u>
Net income from operating activities		<u>1,288,432</u>	<u>423,230</u>
Net element of gain and capital gains included in prices of units issued less those in units redeemed		1,102,080	46,217
Reversal of provision of Workers' Welfare Fund	18	15,790	-
Provision for Sindh Workers' Welfare Fund	18	(60,862)	-
Net income for the year before taxation		<u>2,345,440</u>	<u>469,447</u>
Taxation	19	-	-
Net income for the year after taxation		<u>2,345,440</u>	<u>469,447</u>
Earnings per unit	20		

The annexed note from 1 to 34 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 ASSET ALLOCATION FUND

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

	2017	2016
	-----Rupees in '000-----	
Net income for the year after taxation	2,345,440	469,447
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,345,440</u>	<u>469,447</u>

The annexed note from 1 to 34 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 ASSET ALLOCATION FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
Undistributed income brought forward comprising of:		
- realised income	182,540	344,721
- unrealised income	433,815	247,527
	616,355	592,248
Net income for the year	2,345,440	469,447
Final distribution for the year ended June 30, 2015:		
- cash distribution at Rs. 0.8365 per unit 'declared on July 16, 2015	-	(128,689)
Final distribution for the year ended June 30, 2016:		
- cash distribution at Rs. 1.5380 per unit declared on June 29, 2016	-	(316,651)
Interim distribution for the year ended June 30, 2017:		
- cash distribution at Rs. 1.6376 per unit declared on June 21, 2017	(1,057,603)	-
Undistributed income carried forward	<u>1,904,192</u>	<u>616,355</u>
Undistributed income carried forward comprising of:		
- realised income	845,799	182,540
- unrealised income	1,058,393	433,815
	<u>1,904,192</u>	<u>616,355</u>

The annexed note from 1 to 34 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 ASSET ALLOCATION FUND

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

	2017 -----Rupees in '000-----	2016
Net assets at the beginning of the year	5,435,118	2,563,446
Issuance of 1,194,816,054 units (2016: 611,635,153 units)	21,487,830	9,645,500
Redemption of 679,083,091 units (2016: 423,357,249 units)	(12,344,472)	(6,751,718)
	9,143,358	2,893,782
Net element of gain and capital gains included in prices of units issued less those in units redeemed	(1,102,080)	(46,217)
Total comprehensive income for the year	2,345,440	469,447
Distributions during the year		
Final distribution for the year ended June 30, 2015: - cash distribution at Rs. 0.8365 per unit 'declared on July 16, 2015	-	(128,689)
Final distribution for the year ended June 30, 2016: - cash distribution at Rs. 1.5380 per unit declared on June 29, 2016	-	(316,651)
Interim distribution for the year ended June 30, 2017: cash distribution at Rs. 1.6376 per unit declared on June 21, 2017	(1,057,603)	-
	(1,057,603)	(445,340)
Net assets at the end of the year	<u>14,764,233</u>	<u>5,435,118</u>
Net asset value per unit at the beginning of the year	<u>15.5920</u>	<u>15.9909</u>
Net asset value per unit at the end of the year	<u>17.0820</u>	<u>15.5920</u>

The annexed note from 1 to 34 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 ASSET ALLOCATION FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 -----Rupees in '000-----	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		2,345,440	469,447
Adjustments:			
Return / mark-up on;			
- bank balances		(214,474)	(103,370)
- sukuks		(2,678)	(13,401)
Dividend income		(277,375)	(121,144)
Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading		(1,058,393)	(270,392)
Net element of income and capital gains included in prices of units issued less those in units redeemed		(1,102,080)	(46,217)
Reversal of provision against non performing sukuks classified as available for sale		-	(17,857)
Reversal of provision of Workers' Welfare Fund		(15,790)	-
Provision for Sindh Workers' Welfare Fund		60,862	-
		<u>(2,609,928)</u>	<u>(572,381)</u>
		(264,488)	(102,934)
(Increase) / decrease in assets			
Investments - net		(4,572,431)	(1,307,808)
Deposits, prepayments and other receivables		(1,124)	(204)
		<u>(4,573,555)</u>	<u>(1,308,012)</u>
Increase / (decrease) in liabilities			
Payable to the Management Company		71,586	9,746
Payable to the Trustee		943	290
Payable to the Securities and Exchange Commission of Pakistan		6,938	2,151
Accrued expenses and other liabilities		107,859	47,647
		<u>187,326</u>	<u>59,834</u>
Mark-up on bank balances received		194,385	100,352
Mark-up on sukuks received		2,801	13,708
Dividend received		252,602	122,332
		<u>(4,200,929)</u>	<u>(1,114,720)</u>
Net cash used in operating activities			
		(4,200,929)	(1,114,720)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received from issuance of units		22,047,123	8,800,660
Amounts paid on redemption of units		(12,381,525)	(6,952,507)
Distributions paid		(1,035,824)	(95,346)
Net cash generated from financing activities		<u>8,629,774</u>	<u>1,752,807</u>
Net increase in cash and cash equivalents during the year		<u>4,428,845</u>	<u>638,087</u>
Cash and cash equivalents at the beginning of the year		1,615,172	977,085
Cash and cash equivalents at the end of the year	4	<u><u>6,044,017</u></u>	<u><u>1,615,172</u></u>

The annexed note from 1 to 34 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 ASSET ALLOCATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through supplemental trust deed executed on October 07, 2013 for the change of name and categorization of the Fund as an asset allocation scheme.

The Management Company of the Fund has been licensed to act as an asset management company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Fund is an open-ended mutual fund and categorised as an islamic asset allocation scheme and its units are listed on Pakistan Stock Exchange Limited. Units of the Fund are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

The investment objective of the Fund is to generate income by investing in shariah compliant equity and equity related securities and income by investing in shariah compliant bank deposits, debt and money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and has assigned performance ranking of 3-star to the Fund.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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, provisions of and directives issued under the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). Whenever the requirements of the NBFC Rules, the NBFC Regulations or provisions of and directives issued under the Companies Ordinance, 1984 differ with the requirements of IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, SECP has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.2 Basis of Measurement

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

2.3 Functional and presentation currency

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

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

2.4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

NAFA ISLAMIC ASSET ALLOCATION FUND

	Effective from accounting period beginning on or after:
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

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

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

	Effective from accounting period beginning on or after
Amendments to IFRS 2 'Share-based Payments'- Clarification on the classification and measurement of share-based payments transactions.	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

NAFA ISLAMIC ASSET ALLOCATION FUND

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

2.5 Amendment in the NBFC Regulations subsequent to the yearend

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

2.6 Critical accounting judgments and estimates

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying Fund's accounting policies. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In the process of applying Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

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

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 comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.2 Financial assets

3.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss - held-for-trading, loans and receivables or available-for-sale.

a) Investments at fair value through profit or loss - held for trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

b) Loans and receivables

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

c) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

NAFA ISLAMIC ASSET ALLOCATION FUND

3.2.2 Regular way contracts

All regular purchases / sales of investments are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the investments. Purchases / sales of investments require delivery of securities within the time frame established by the stock exchange regulations.

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

a) Financial assets as 'at fair value through profit or loss - held for trading' and 'available for sale'

1) Debt securities (other than government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

2) Government securities

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

3) Equity securities

The investment of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

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

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

b) Loans and receivables

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

3.2.5 Impairment of financial assets

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

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognised on debt securities can be reversed through the 'income statement'.

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

NAFA ISLAMIC ASSET ALLOCATION FUND

b) Equity securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 'income statement', is reclassified from other comprehensive income and recognized in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'statement of assets and liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

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

3.4 Issuance and redemption of units

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

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

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

Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned and on unrealised gain / (loss) arising during an accounting year on available for sale securities. The element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed is apportioned between the income statement and the distribution statement in proportion of the relative change in net assets for the year of available for sale investments and other net assets.

3.6 Provisions

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

3.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.

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- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the 'income statement' in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Markup / return on government securities, debt securities, bank balances and term deposits are recognized on a time proportionate basis using the effective interest method.

3.8 Taxation

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

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

3.9 Proposed distributions

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

3.10 Earnings per unit

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

	Note	2017	2016
		(Rupees in '000)	
4 BALANCES WITH BANKS			
Current accounts		260,680	163,219
Savings accounts	4.1	<u>5,783,337</u>	<u>1,451,953</u>
		<u>6,044,017</u>	<u>1,615,172</u>

4.1 These saving accounts carry mark-up at rates ranging from 2.40% to 6.75% per annum (2016: 5.00% to 8.00% per annum).

4.2 This includes impact of cheques amounting to Rs. 393.63 million issued on account of redemption of units and cheques amounting to Rs. 327.23 million received on account of issuance of units as at year end.

	Note	2017	2016
		(Rupees in '000)	
5 INVESTMENTS			
At fair value through profit or loss - held for trading			
Listed equity securities	5.1	9,047,063	3,369,248
Sukuks	5.4	-	44,911
Available for sale			
Sukuks	5.5	-	-
		<u>9,047,063</u>	<u>3,414,159</u>

5.1 Listed equity securities

Name of the investee company	As at July 1, 2016	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2017	Market value at June 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
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----- Number of shares ----- Rupees in '000 ----- % -----

All shares have a nominal face value of Rs. 10 each except for shares of Thal Limited and K-Electric Limited which have a face value of Rs. 5 and Rs. 3.5 each respectively.

OIL AND GAS MARKETING COMPANIES

Attock Petroleum Limited	89,100	44,800	-	-	133,900	83,879	0.57	0.93	0.001
Pakistan State Oil Company Limited	731,196	423,600	-	151,200	1,003,596	388,743	2.63	4.30	0.369
Hascol Petroleum Limited	2,604	-	-	-	2,604	888	0.01	0.01	0.002
Sui Northern Gas Pipelines Limited	-	1,085,500	-	-	1,085,500	161,653	1.09	1.79	0.171
Shell Pakistan Limited	201,100	293,100	-	-	494,200	284,348	1.93	3.14	0.462
							<u>6.23</u>	<u>10.17</u>	

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Name of the investee company	As at July 1, 2016	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2017	Market value at June 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
	----- Number of shares -----					Rupees in '000	----- % -----		
OIL AND GAS EXPLORATION COMPANIES									
Oil and Gas Development Company Limited	489,000	2,267,300	-	-	2,756,300	387,784	2.63	4.29	0.064
Pakistan Oilfields Limited	537,760	239,300	-	18,500	758,560	347,534	2.35	3.84	0.321
Pakistan Petroleum Limited	904,570	1,077,500	-	37,000	1,945,070	288,143	1.95	3.18	0.099
Mari Petroleum Company Limited	214,050	116,670	-	-	330,720	521,096	3.53	5.76	0.015
							10.46	17.07	
REFINERY									
Attock Refinery Limited	184,600	-	-	34,000	150,600	57,617	0.39	0.64	0.177
							0.39	0.64	
CHEMICALS									
AKZO Noble Pakistan Limited	29,900	-	-	-	29,900	7,176	0.05	0.08	0.064
Dynea Pakistan Limited	21,500	-	-	-	21,500	2,162	0.01	0.02	0.228
Ittihad Chemicals Limited	464,750	-	60,507	197,507	327,750	10,252	0.07	0.11	0.426
							0.13	0.21	
FOOD AND PERSONAL CARE PRODUCTS									
Engro Foods Limited	-	401,000	-	315,500	85,500	10,387	0.07	0.11	0.011
Al Shaheer Corporation Limited (Refer 5.3)	927,525	50,000	139,129	-	1,116,654	44,789	0.30	0.50	0.786
							0.37	0.61	
LEATHER AND TANNERIES									
Service Industries Limited	26,000	-	-	-	26,000	35,854	0.24	0.40	0.216
							0.24	0.40	
ENGINEERING									
International Steels Limited	-	1,141,500	-	-	1,141,500	145,986	0.99	1.61	0.262
International Industries Limited	-	125,900	-	-	125,900	46,403	0.31	0.51	0.105
K.S.B. Pumps Company Limited	-	8,200	-	-	8,200	2,583	0.02	0.03	0.062
Crescent Steel & Allied Products	-	350,000	-	-	350,000	83,500	0.57	0.92	0.451
Amreli Steels Limited	-	1,413,000	-	-	1,413,000	173,728	1.18	1.92	0.476
Mughal Iron And Steel Industries Limited (Refer 5.3)	829,125	-	677,418	147,000	1,359,543	109,756	0.74	1.21	0.540
							3.81	6.20	
CEMENT									
D.G. Khan Cement Company Limited	497,500	1,501,400	-	-	1,998,900	426,086	2.89	4.71	0.456
Lucky Cement Limited	330,700	263,300	-	30,800	563,200	470,982	3.19	5.21	0.174
Maple Leaf Cement Factory Limited	738,500	255,500	-	-	994,000	110,692	0.75	1.22	0.188
Attock Cement Pakistan Limited	410,900	403,300	-	-	814,200	246,434	1.67	2.72	0.711
Pioneer Cement Limited	535,500	1,076,700	-	15,000	1,597,200	207,636	1.41	2.30	0.703
Fauji Cement Company Limited	2,486,500	1,095,500	-	-	3,582,000	146,969	1.00	1.62	0.260
FECTO Cement Limited	276,500	-	-	37,300	239,200	24,953	0.17	0.28	0.477
Kohat Cement Company Limited	-	582,300	-	-	582,300	133,498	0.90	1.48	0.377
Cherat Cement Company Limited	-	566,200	-	-	566,200	101,225	0.69	1.12	0.321
							12.67	20.66	
TRANSPORT									
Pakistan National Shipping Corporation	174,200	-	-	5,000	169,200	21,302	0.14	0.24	0.128
							0.14	0.24	
TEXTILE COMPOSITE									
Nishat Mills Limited	1,083,100	1,203,000	-	-	2,286,100	362,758	2.46	4.01	0.650
Kohinoor Textile Mills Limited	1,964,600	1,187,500	-	-	3,152,100	331,380	2.24	3.66	1.116
Synthetic Products Limited (Refer 5.3)	-	568,000	10,500	-	578,500	43,648	0.30	0.48	0.680
							5.00	8.15	
FERTILIZER									
Engro Corporation Limited	758,200	1,041,000	-	-	1,799,200	586,377	3.97	6.48	0.343
Engro Fertilizers Limited	1,885,000	4,502,000	-	545,000	5,842,000	322,712	2.19	3.57	0.438
Fauji Fertilizer Bin Qasim Limited	825,000	-	-	-	825,000	35,343	0.24	0.39	0.088
Dawood Hercules Corporation Limited	-	267,200	-	-	267,200	36,435	0.25	0.40	0.056
Fatima Fertilizer Company Limited	2,500	-	-	-	2,500	84	-	-	0.000
Fauji Fertilizer Company Limited	68	-	-	68	-	-	-	-	-
							6.65	10.84	
POWER GENERATION AND DISTRIBUTION									
The Hub Power Company Limited	1,360,260	2,015,800	-	228,100	3,147,960	369,665	2.50	4.09	0.2720
Lalpir Power Limited	857,000	-	-	450,000	407,000	8,352	0.06	0.09	0.1072
Pakgen Power Limited	1,079,500	-	-	1,074,500	5,000	101	-	-	0.0013
Kot Addu Power Company Limited	1,532,500	705,500	-	-	2,238,000	161,181	1.09	1.78	0.2542
K-Electric Limited	5,123,000	12,947,000	-	6,405,000	11,665,000	80,489	0.55	0.89	0.0422
							4.20	6.85	
COMMERCIAL BANKS									
Meezan Bank Limited	665,781	-	-	-	665,781	52,597	0.36	0.58	0.066
							0.36	0.58	

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Name of the investee company	As at July 1, 2016	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2017	Market value at June 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
	----- Number of shares -----					Rupees in '000	----- % -----		
AUTOMOBILE ASSEMBLER									
Millat Tractors Limited	-	275,100	-	500	274,600	377,421	2.56	4.17	0.620
Hinopak Motors Limited	-	1,780	-	-	1,780	2,332	0.02	0.03	0.014
Sazgar Engineering Works Limited	171,500	-	-	171,500	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	104,450	-	-	104,450	90,630	0.61	1.00	0.073
Indus Motor Company Limited	114,380	20,000	-	-	134,380	241,024	1.63	2.66	0.171
							4.82	7.86	
AUTOMOBILE PARTS AND ACCESSORIES									
Baluchistan Wheels Limited	227,000	-	-	-	227,000	33,709	0.23	0.37	1.702
Thal Limited	159,196	900	-	-	160,096	97,024	0.66	1.07	0.198
							0.89	1.44	
PHARMACEUTICALS									
Abbott Laboratories (Pakistan) Limited	30,500	117,950	-	-	148,450	138,741	0.94	1.53	0.002
Ferozsons Laboratories Limited	18,150	33,050	-	-	51,200	19,789	0.13	0.22	0.170
The Searle Company Limited (Refer 5.3)	69,223	-	17,583	-	86,806	44,443	0.30	0.49	0.056
Glaxosmithkline Pakistan Limited	97,100	-	-	-	97,100	19,121	0.13	0.21	0.030
							1.50	2.45	
TECHNOLOGY AND COMMUNICATION									
Avanceon Limited (Refer 5.3)	1,029,500	-	155,000	550,500	634,000	28,727	0.19	0.32	0.014
							0.19	0.32	
CABLE AND ELECTRIC GOODS									
Pak Elektron Limited	1,062,500	2,045,000	-	105,000	3,002,500	331,236	2.24	3.66	0.603
							2.24	3.66	
GLASS AND CERAMICS									
Tariq Glass Industries Limited	685,000	320,500	-	-	1,005,500	111,369	0.75	1.23	1.369
Shabbir Tiles and Ceramics Limited	-	1,895,500	-	-	1,895,500	36,337	0.25	0.40	1.159
							1.00	1.63	
							9,047,063	61.29	100
Carrying value before mark to market as at June 30, 2017							7,988,670		

5.2 Investments include shares with market value of Rs. 104.035 million (2016: Rs. 89.792 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange commission of Pakistan.

5.3 This represents gross bonus shares as per Fund's entitlement declared by the investee company. The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of five percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) has withheld the shares equivalent to five percent of bonus announcement and not yet deposited in CDC account of department of Income Tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis.

5.4 Sukuks - at fair value through profit or loss - held for trading

Name of the investee company	Number of certificates				Market value / as at June 30 2017	Investment as a percentage of			
	As at July 1, 2016	Purchases during the year	Sold / matured during the year	As at June 30, 2017		Net assets	Market value of total investments	Issue size	
	-----Number of bonds-----					(Rupees in '000)	----- % -----		
All sukuks have a face value of Rs. 5,000 each.									
K-Electric AZM sukuk	9,000	-	-	9,000	-	-	-	-	-

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5.5 Sukuks - available for sale

Name of the investee company	Number of certificates					Market value / as at June 30 2017	Net assets	Market value of total investments	Issue size
	Note	As at July 1, 2016	Purchases during the year	Sold / matured during the year	As at June 30, 2017				

-----Number of bonds----- (Rupees in '000) ----- % -----

All sukuks have a face value of Rs. 5,000 each.

Eden Housing Limited	5.5.1	5,000	-	-	5,000	-	-	-	3.42
Carrying value as at June 30, 2017						4,922			
Accumulated impairment						4,922			

5.5.1 This represents investment in privately placed sukuks with a term of five years. On May 6, 2011, the investee company defaulted its principal and profit payment and therefore it was classified as non performing asset by MUFAP. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.5.2 The sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

5.5.3 Other particulars of sukuks outstanding as at June 30, 2017 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue Date	Maturity Date
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Eden House Limited	984	6 Month KIBOR ask rate plus 2.5%	Not rated	31-Mar-08	31-Mar-13
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Note 2017 2016
(Rupees in '000)

5.6 Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading

Market value of investments	5.1 & 5.2	9,047,063	3,414,159
Less: carrying value of investments before mark to market	5.1 & 5.2	(7,988,670)	(3,143,767)
		<u>1,058,393</u>	<u>270,392</u>

5.7 Movement in provision against non-performing sukuks

Opening balance		4,922	22,779
Add: charge for the year		-	-
Less: reversal of provision against non-performing sukuks		-	(17,857)
Closing balance		<u>4,922</u>	<u>4,922</u>

6 MARK-UP ACCRUED AND DIVIDEND RECEIVABLE

Mark-up accrued on bank balances		27,293	7,204
Mark-up accrued on government securities		-	123
Dividend receivable		29,249	4,476
		<u>56,542</u>	<u>11,803</u>

7 RECEIVABLE AGAINST TRANSFER OF UNITS

This represents amount receivable from other collective investment scheme being managed by the Management Company of the Fund. This amount is receivable in respect of units issued to various unit holders based on their request for transfer of units from other collective investment scheme to the Fund.

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	Note	2017	2016
		(Rupees in '000)	
8	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Security deposits with:		
	- National Clearing Company of Pakistan Limited	2,500	2,500
	- Central Depository Company of Pakistan Limited	100	100
	Advance tax	1,331	237
	Prepayments	30	-
		<u>3,961</u>	<u>2,837</u>
9	PAYABLE TO NBP FULLERTON MANAGEMENT LIMITED - MANAGEMENT COMPANY		
	Remuneration of the Management Company	9.1 24,768	8,125
	Sindh Sales Tax on remuneration of the Management Company	9.2 3,217	1,317
	Operational expenses	9.3 10,235	2,509
	Selling and marketing expenses	9.4 19,137	-
	Sales load	32,020	9,777
	Sindh Sales Tax and Federal Excise Duty on sales load	23,503	19,566
		<u>112,880</u>	<u>41,294</u>

- 9.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets provided that Management Company may charge performance based or fixed fee or a combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

On November 25, 2015, SECP had made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations, the applicable rate has been changed to 2% of average annual net assets.

Accordingly, Management Company has charged its remuneration at the rate of two percent of the average annual net assets of the Fund from that date.

- 9.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 9.3** This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.
- 9.4** This represents selling and marketing expenses charged by the Management Company to the Fund. During the year, the SECP through circular No. 40 of 2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to certain collective investment schemes managed by them. Pursuant to the circular, AMCs are allowed to charge selling and marketing expenses initially for three years (effective from January 01, 2017 till December 31, 2019) on open end equity, asset allocation, and index funds maximum up to 0.4% of the average annual net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% per annum of the average annual net assets of the Fund with effect from March 01, 2017, being the lower amount.

	Note	2017	2016
		(Rupees in '000)	
10	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Remuneration of the Trustee	10.1 1,365	520
	Sindh Sales Tax on remuneration of the Trustee	10.2 168	70
		<u>1,533</u>	<u>590</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 payable to the Trustee monthly in arrears.

Tariff structure applicable to the Fund as at June 30, 2017 is as follows:

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Net Asset Value

Tariff per annum

Upto Rs 1,000 million

Rs. 0.7 million or 0.20% per annum of net assets, whichever is higher

On an amount exceeding Rs. 1,000 million

Rs. 2.0 million plus 0.10% per annum of net assets exceeding Rs. 1,000 million.

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

11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

11.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorized as "asset allocation scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

12 PAYABLE AGAINST TRANSFER OF UNITS

This represents amounts payable to other collective investment schemes being managed by the Management Company of the Fund. These amounts are payable in respect of units redeemed by various unit holders based on their request for transfer of units from the Fund to the other collective investment schemes.

	Note	2017	2016
		(Rupees in '000)	
13 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		402	418
Provision for Sindh Workers' Welfare Fund			
Provision for Workers' Welfare Fund	18	60,862	-
Federal Excise Duty on remuneration of the Management Company		-	15,790
Brokerage charges	13.1 & 13.2	18,406	18,406
Bank charges		264	-
Settlement charges		86	193
Printing charges		99	17
Charity		98	159
Withholding tax	13.3	5,916	2,822
Capital gain tax		130,800	37,740
Others		15,536	4,537
		764	220
		<u>233,233</u>	<u>80,302</u>

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

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

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

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 18.406 million as at June 30, 2017.

Had the provision not been made, the net asset value per unit as at June 30, 2017 would have been higher by Rs.0.0213 per unit (2016: Rs. 0.0534 per unit).

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

13.3 According to the instruction of the shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 5.916 million (2016: Rs 2.822 million) is outstanding in this regard after making charity payments of Rs 1.39 million (2016: Rs 0.327 million) to charitable institutions.

NAFA ISLAMIC ASSET ALLOCATION FUND

14 CONTINGENCIES AND COMMITMENTS

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

	2017	2016
	(Number of units)	
15 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year		
Add: units issued during the year	348,584,676	160,306,772
Less: units redeemed during the year	1,194,816,054	611,635,153
	(679,083,091)	(423,357,249)
Total units in issue at the end of the year	<u>864,317,639</u>	<u>348,584,676</u>

16 NET ASSET VALUE PER UNIT

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

	2017	2016
	----- Rupees in '000 -----	
17 AUDITORS' REMUNERATION		
Annual audit fee		
Half yearly review fee	330	300
Out of pocket expenses	132	120
	84	91
	<u>546</u>	<u>511</u>

18 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honorable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that Workers' Welfare Fund (WWF) is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has led Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. The MUFAP wrote to the SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. The MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on mutual funds, MUFAP has recommended the following to all its members on January 12, 2017:

- the entire provision against WWF held by the mutual funds till June 30, 2015, to be reversed on January 12, 2017 ; and
- the provision in respect of SWWF should be made on a prudent basis on January 12, 2017 with effect from the date of enactment of the Sindh Workers' Welfare Fund Act, 2014 (i.e. starting from May 21, 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the mutual funds.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF and recognized provision for SWWF from May 21, 2015

Had the provision of SWWF not been made, the net asset value per unit as at June 30, 2017 would have been higher by Rs.0.0704 per unit.

NAFA ISLAMIC ASSET ALLOCATION FUND

19 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund intends to distribute such accounting income for the year ending June 30, 2017 to its unit holders. Accordingly, no provision in respect of taxation has been made in the current year.

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

20 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.

21 DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

The Securities and Exchange Commission of Pakistan vide its circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular no. 7 of 2009	Sukuks (5.5)	4,922	(4,922)	-	-	-

21.1 At the time of purchase, these sukuks were in compliance with the aforementioned circular. However, they were subsequently defaulted or were downgraded to non investment grade.

22 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset value for the year) is 3.43% per annum including 0.97% representing government levies on Collective Investment Schemes such as sales tax, provision for Sindh Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the year.

23 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

23.1 Connected persons and related parties include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Alexandra Fund Management Pte. Limited being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

23.2 The transactions with connected persons and related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.

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

NAFA ISLAMIC ASSET ALLOCATION FUND

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

2017
2016
(Rupees in '000)

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

NBP Fullerton Asset Management Limited (Management Company)

Remuneration of the Management Company	204,699	78,648
Sindh Sales Tax on remuneration of the Management Company	26,611	12,772
Reimbursement of operational expenses to the Management Company	10,235	2,509
Sales load	182,314	32,114
Sindh Sales Tax and Federal Excise Duty on sales load	26,811	12,366
Selling and marketing expenses	19,137	-
Units issued / transferred in 6,329,266 units (2016: 1,058,842 units)	120,000	16,483
Units redeemed / transferred out 6,329,266 units (2016: 1,058,842 units)	115,945	16,509

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	11,235	4,932
Sindh Sales Tax on remuneration of the Trustee	1,461	690
CDS charges	183	177

Employees of the Management Company

Units issued / transferred in 752,505 units (2016: 2,147,410 units)	13,438	33,970
Units redeemed / transferred out 896,516 units (2016: 2,265,198 units)	16,063	35,944
Dividend re-invest 39,087 units (2016: 75,110 units)	661	1,175

Taurus Securities Limited

(Subsidiary of Parent of the Management Company)

Brokerage charges	316	202
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National Bank of Pakistan (Parent of the Management Company)

Cash dividend paid	-	11,618
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BankIslami Pakistan Limited (Common directorship with the Management Company)

Mark-up on bank balances	96,709	-
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International Industries Limited (Common directorship with the Management Company)

Shares purchased 125,900 (2016: Nil)	32,358	-
Dividend income	519	-

International Steel Limited (Common directorship with the Management Company)

Shares purchased 1,141,500 (2016: Nil)	144,216	-
Dividend income	2,854	-

Cherat Cement Company Limited (Common directorship with the Management Company)

Shares purchased 566,200 (2016: Nil)	106,487	-
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Askari Bank Limited (Common directorship with the Management Company)

Mark-up on bank balances	325	-
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NAFA ISLAMIC ASSET ALLOCATION FUND

	2017	2016
Chief Financial Officer of the Management Company		
	(Rupees in '000)	
Units issued / transferred in 54,049 units (2016: Nil)	913	-
Units redeemed / transferred out 54,049 units (2016: Nil)	1,032	-
NAFA Islamic Principal Preservation Fund (CIS managed by the Management Company)		
Units issued / transferred in 18,675,429 (2016: Nil)	315,417	-
Units redeemed / transferred out 24,043,880 (2016: Nil)	431,021	-
Aamir Sattar (Director of the Management Company)		
Units issued / transferred in 47,031 units (2016: 108,720 units)	800	1,767
Dividend re-invest 19,093 units (2016: Nil)	323	-
National Fullerton Asset Management Limited Employees Provident Fund (Provident Fund of Management Company)		
Units Issued / Trasferred In 1,016,864 units (2016: Nil)	19,106	-
Units Redeemed / Transferred Out 1,016,864 units (2016: Nil)	19,070	-
Gul Ahmed Textile Mills Limited Employees Provident Fund Trust (Porfolio managed by Management Company)		
Units Issued / Trasferred In 3,482,658 units (2016: Nil)	65,415	-
Units Redeemed / Transferred Out 3,482,658 units (2016: Nil)	59,694	-
Telenor Pakistan (Private) Limited Employees Provident Fund (Islamic) (Porfolio managed by Management Company)		
Units issued / transferred in 4,673,770 units (2016: Nil)	83,763	-
Units redeemed / transferred out 2,229,825 units (2016: Nil)	40,848	-
23.6 Details of amounts outstanding as at year end with connected persons are as follows :		
	2017	2016
NBP Fullerton Asset Management Limited (Management Company)	(Rupees in '000)	
Remuneration of the Management Company	24,768	8,125
Sindh Sales Tax on remuneration of the Management Company	3,217	1,317
Operational expenses	10,235	2,509
Sales load	32,020	9,777
Sindh Sales Tax and Federal Excise Duty on sales load	23,503	19,566
Selling and Marketing Expenses	19,137	-
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	1,365	520
Sindh Sales Tax on remuneration of the Trustee	168	70
CDS charges	44	33
Security deposit	100	100
National Bank of Pakistan (Parent of the Management Company)		
Bank balances in current accounts	3,274	26,902
International Industries Limited (Common directorship with the Management Company)		
Ordinary shares held 125,900 shares (2016: Nil)	46,403	-
Dividend receivable	434	-
International Steel Limited (Common directorship with the Management Company)		
Ordinary shares held 1,141,500 shares (2016: Nil)	145,986	-
Dividend receivable	2,854	-

NAFA ISLAMIC ASSET ALLOCATION FUND

	2017	2016
	(Rupees in '000)	
Bank Islami Pakistan Limited (Common directorship with the Management Company)		
Bank balances in saving accounts	2,521,661	-
Mark-up accrued	11,675	-
Cherat Cement Company Limited (Common directorship with the Management Company)		
Ordinary shares held 566,200 shares (2016: Nil)	101,225	-
Askari Bank Limited (Common directorship with the Management Company)		
Bank balance in savings account	4,484	-
Summit Bank Limited (Common directorship with the Management Company)		
Bank balances in current accounts	13,073	8,878
Aamir Sattar (Director of the Management Company)		
Investment held in the Fund 238,335 units (2016: 172,210 units)	4,071	2,685
Employees of the Management Company		
Investment held in the Fund 605,610 units (2016: 613,520 units)	8,688	9,566
CDC Trustee NAFA Islamic Principal Preservation Fund (CIS managed by Management Company)		
Investment held in the Fund 2,514,865 units (2016: Nil)	42,959	-
Telenor Pakistan (Private) Limited Employees Provident Fund (Islamic) (Portfolio managed by Management Company)		
Investment held in the Fund 2,443,945 units (2016: Nil)	41,747	-
Net amount receivable / (payable) against transfer of units from / to:		
NAFA Islamic Income Fund (Formerly :NAFA Islamic Aggressive Income Fund)	-	(22,710)
NAFA Asset Allocation Fund	-	26,139
NAFA Riba Free Savings Fund	(75)	10,466
NAFA Islamic Principal Protected Fund - I	-	6,512
NAFA Islamic Principal Protected Fund - II	-	7,498
NAFA Islamic Stock Fund	-	261,074
NAFA Stock Fund	-	2,662
NAFA Islamic Energy Fund	515	214,028
NAFA Government Securities Liquid Fund	-	(1,411)
NAFA Income Opportunity Fund	(1,440)	35,775
NAFA Government Securities Savings Fund	-	(700)
NAFA Money Market Fund	4,346	-
NAFA Islamic Income Fund	(215)	-
NAFA Financial Sector Income Fund	(325)	-

24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

NAFA ISLAMIC ASSET ALLOCATION FUND

24.1 Mr. Taha Khan Jawed is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NAFA Asset Allocation Fund
- NAFA Islamic Energy Fund
- NAFA Stock Fund
- NAFA Money Market Fund
- NAFA Islamic Active Allocation Equity Fund

25 TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission charged during the year ended June 30, 2017

S. No.	Broker name	Percentage
1	Taurus Securities Limited	7.33
2	BMA Capital Management Limited	6.46
3	Alfalah Securities (Private) Limited	5.85
4	Pearl Securities (Private) Limited	4.74
5	EFG Hermes Pakistan Limited (formerly Invest & Finance Securities Limited)	4.60
6	Fortune Securities	4.57
7	Arif Habib Securities Limited	4.47
8	Al Habib Capital Markets (Private) Limited	4.12
9	Elixir Securities Pakistan (Private) Limited	3.85
10	Foundation Securities (Private) Limited	3.77

List of top ten brokers by percentage of commission charged during the year ended June 30, 2016

S. No.	Broker name	Percentage
1	Taurus Securities Limited	7.79
2	Arif Habib Securities Limited	7.50
3	Optimus Capital Management Limited	5.02
4	Global Securities Pakistan Limited	4.97
5	Foundation Securities Limited	4.84
6	Concordia Securities (Private) Limited	4.70
7	Topline Securities (Private) Limited	3.96
8	J.S. Global Capital Limited	3.91
9	BMA Capital Management Limited	3.86
10	Kasb Securites Limited	3.84

26 PATTERN OF UNIT HOLDING

----- As at June 30, 2017-----

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	9,499	9,379,717	63.53%
Insurance companies	5	275,703	1.87%
Directors	1	4,071	0.03%
Retirement funds	129	2,654,801	17.98%
Public limited companies	2	322,350	2.18%
Others	129	2,127,591	14.41%
	<u>9,765</u>	<u>14,764,233</u>	<u>100%</u>

----- As at June 30, 2016-----

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	3,867	3,671,961	67.56%
Insurance companies	3	93,570	1.72%
Retirement funds	68	648,859	11.94%
Public limited companies	1	305,264	5.62%
Others	61	715,464	13.16%
	<u>4,000</u>	<u>5,435,118</u>	<u>100%</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Category	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	4	4	-	-
Mr. Aamir Sattar	4	4	-	-
Mr. Abdul Hadi Palekar	4	3	1	61st
Mr. Koh Boon San [Note 28.1]	2*	2	-	-
Mr. Lui Mang Yin (Martin Lui)	4	4	-	-
Dr. Foo Chiah Shiung (Kelvin Foo) [Note 28.2]	2*	1	1	63rd
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	3	1	62nd
Mr. Saiyed Hashim Ishaque [Note 28.3]	3*	3	-	-
Mr. Humayun Bashir [Note 28.4]	1*	1	-	-
Dr. Amjad Waheed	4	4	-	-

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

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

27.3 Mr. Saiyed Hashim Ishaque was appointed as director on Board with effect from August 05, 2016 and resigned in Extra Ordinary General Meeting held on March 17, 2017.

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

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

28 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2017-----

Particulars	Loans and receivables	At fair value through profit or loss - held for trading	Available for sale	Total
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Financial assets

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

Balance with banks	6,044,017	-	-	6,044,017
Investments	-	9,047,063	-	9,047,063
Mark-up accrued and dividend receivable	56,542	-	-	56,542
Receivable against transfer of units	4,861	-	-	4,861
Deposits	2,600	-	-	2,600
	<u>6,108,020</u>	<u>9,047,063</u>	<u>-</u>	<u>15,155,083</u>

-----As at June 30, 2017-----

Particulars	At fair value through profit or loss - held for trading	At amortised cost	Total
-------------	---	-------------------	-------

Financial Liabilities

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

Payable to the Management Company	-	112,880	112,880
Payable to the Trustee	-	1,533	1,533
Payable against redemption of units	-	7,412	7,412
Payable against transfer of units	-	2,055	2,055
Payable against purchase of investments	-	2,027	2,027
Dividend payable	-	22,790	22,790
Accrued expenses and other liabilities	-	26,035	26,035
Net assets attributable to redeemable units	-	14,764,233	14,764,233
	<u>-</u>	<u>14,938,965</u>	<u>14,938,965</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

-----As at June 30, 2016-----

Particulars	Loans and receivables	At fair value through profit or loss - held for trading	Available for sale	Total
Financial assets				
-----Rupees in '000-----				
Balance with banks	1,615,172	-	-	1,615,172
Investments	-	3,414,159	-	3,414,159
Mark-up accrued and dividend receivable	11,803	-	-	11,803
Receivable against sale of investments	53	-	-	53
Receivable against transfer of units	564,154	-	-	564,154
Deposits	2,600	-	-	2,600
	<u>2,193,782</u>	<u>3,414,159</u>	<u>-</u>	<u>5,607,941</u>

-----As at June 30, 2016-----

Particulars	At fair value through profit or loss - held for trading	At amortised cost	Total
-----Rupees in '000-----			
Payable to the Management Company	-	41,294	41,294
Payable to the Trustee	-	590	590
Payable against redemption of units	-	21,699	21,699
Payable against transfer of units	-	24,821	24,821
Dividend payable	-	1,011	1,011
Accrued expenses and other liabilities	-	22,235	22,235
Net assets attributable to redeemable units	-	5,435,118	5,435,118
	<u>-</u>	<u>5,546,768</u>	<u>5,546,768</u>

29 FINANCIAL RISK MANAGEMENT

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

29.1 Market risk

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

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

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

29.1.1 Currency risk

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

29.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2017, the Fund holds balance in saving accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in bank profit rates as on June 30, 2017, the net assets of the Fund would have been higher / lower by approximately Rs. 57.833 million. (2016: 14.519 million)

a) Sensitivity analysis for fixed rate instruments

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

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

NAFA ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2017

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

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

On-balance sheet financial instruments

Financial assets

Balance with banks	2.40 - 6.75	6,044,017	5,783,337	-	-	260,680
Investments		9,047,063	-	-	-	9,047,063
Mark-up accrued and dividend receivable		56,542	-	-	-	56,542
Receivable against sale of investments		-	-	-	-	-
Receivable against transfer of units		4,861	-	-	-	4,861
Deposits		2,600	-	-	-	2,600
		15,155,083	5,783,337	-	-	9,371,746

Financial liabilities

Payable to the Management Company	112,880	-	-	-	112,880
Payable to the Trustee	1,533	-	-	-	1,533
Payable against redemption of units	7,412	-	-	-	7,412
Payable against transfer of units	2,055	-	-	-	2,055
Payable against purchase of investments	2,027	-	-	-	2,027
Dividend payable	22,790	-	-	-	22,790
Accrued expenses and other liabilities	26,035	-	-	-	26,035
Net assets attributable to redeemable units	14,764,233	-	-	-	14,764,233
	14,938,965	-	-	-	14,938,965
On-balance sheet gap	216,118	5,783,337	-	-	(5,567,219)

Off-balance sheet financial instruments

Off-balance sheet gap

	-	-	-	-	-
	-	-	-	-	-

NAFA ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2016

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

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

On-balance sheet financial instruments

Financial assets

Balances with banks	5.00 - 8.00	1,615,172	1,451,953	-	-	163,219
Investments	8.00-9.30	3,414,159	-	44,911	-	3,369,248
Mark-up accrued and dividend receivable		11,803	-	-	-	11,803
Receivable against sale of investment		53	-	-	-	53
Receivable against transfer of investment		564,154	-	-	-	564,154
Deposits		2,600	-	-	-	2,600
		5,607,941	1,451,953	44,911	-	4,111,077

Financial liabilities

Payable to the Management Company	41,294	-	-	-	41,294
Payable to the Trustee	590	-	-	-	590
Payable against redemption of units	21,699	-	-	-	21,699
Payable against transfer of units	24,821	-	-	-	24,821
Dividend payable	1,011	-	-	-	1,011
Accrued expenses and other liabilities	22,235	-	-	-	22,235
Net assets attributable to redeemable units	5,435,118	-	-	-	5,435,118
	5,546,768	-	-	-	5,546,768

On-balance sheet gap

	61,173	1,451,953	44,911	-	(1,435,691)
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Off-balance sheet financial instruments

	-	-	-	-	-
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Off-balance sheet gap

	-	-	-	-	-
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29.1.3 Price risk

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

The Fund is exposed to equity price risk because of the investments held by the Fund and classified in the 'statement of assets and liabilities' as financial asset 'at fair value through profit or loss - held for trading'. The Fund manages price risk by limiting individual equity securities to not more than ten percent of net assets attributable to holders of the Fund's assets. Moreover, the sector limits have also been restricted to twenty five percent. The equity investments are listed in the Pakistan Stock Exchange Limited. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed on a regular basis by the investment committee as well as the Board of Directors.

In case of 5% increase / decrease in fair value on June 30, 2017, the net income for the year would increase / decrease by Rs. 452.353 million (2016: Rs. 168.462 million) and net assets of the Fund would increase / decrease by the same amount. The sensitivity analysis is based on the Fund's equity security as at the statements of assets and liabilities date with all other variables held constant.

29.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. Credit risk arises from balances with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and accrued mark-up on bank balances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. Credit risk also arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The settlement risk of default on equity securities is considered minimal due to inherent systematic measures taken therein.

NAFA ISLAMIC ASSET ALLOCATION FUND

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The Fund's significant credit risk arises mainly on account of its placements with banks. The credit rating profile of balances with banks is as follow:

Bank balances by rating category	2017
AAA	2.81%
AA+	13.96%
AA	0.21%
AA-	11.96%
A+	41.82%
A-	29.24%

Sukuks by rating category

Non-performing	100.00%
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The maximum exposure to credit risk before any credit enhancement as at June 30, 2017 is as follows:

	June 30, 2017		June 30, 2016	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum
Balances with banks	6,044,017	6,044,017	1,615,172	1,615,172
Investments	9,047,063	9,047,063	3,414,159	3,414,159
Mark-up accrued and dividend receivable	56,542	56,542	11,803	11,803
Receivable against sale of investment	-	-	53	53
Receivable against transfer of investment	4,861	4,861	564,154	564,154
Deposits	2,600	2,600	2,600	2,600
	15,155,083	15,155,083	5,607,941	5,607,941

Concentration of credit risk

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

29.3 Liquidity risk

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

The Fund is exposed to settlement of equity securities and to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current year.

NAFA ISLAMIC ASSET ALLOCATION FUND

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

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

As at June 30, 2017

Total	Upto three months	Over three months and upto one year	Over one year
-------	-------------------	-------------------------------------	---------------

Financial liabilities

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

Payable to the Management Company	112,880	112,880	-	-
Payable to the Trustee	1,533	1,533	-	-
Payable against redemption of units	7,412	7,412	-	-
Payable against transfer of units	2,055	2,055	-	-
Payable against purchase of investments	2,027	2,027	-	-
Dividend payable	22,790	22,790	-	-
Accrued expenses and other liabilities	26,035	26,035	-	-
Net assets attributable to redeemable units	14,764,233	14,764,233	-	-
	<u>14,938,965</u>	<u>14,938,965</u>	<u>-</u>	<u>-</u>

As at June 30, 2016

Total	Upto three months	Over three months and upto one year	Over one year
-------	-------------------	-------------------------------------	---------------

Financial liabilities

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

Payable to the Management Company	41,294	41,294	-	-
Payable to the Trustee	590	590	-	-
Payable against redemption of units	21,699	21,699	-	-
Payable against transfer of units	24,821	24,821	-	-
Dividend payable	1,011	1,011	-	-
Accrued expenses and other liabilities	22,235	22,235	-	-
Net assets attributable to redeemable units	5,435,118	5,435,118	-	-
	<u>5,546,768</u>	<u>5,546,768</u>	<u>-</u>	<u>-</u>

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy:

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

NAFA ISLAMIC ASSET ALLOCATION FUND

ASSETS	----- As at June 30, 2017 -----			
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
At fair value through profit or loss - held for trading				
Listed equity securities	9,047,063	-	-	9,047,063
ASSETS	----- As at June 30, 2016 -----			
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
At fair value through profit or loss - held for trading				
Listed equity securities	3,369,248	-	-	3,369,248
Sukuks	-	44,911	-	44,911

There were no transfers between above levels during the year.

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

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

31 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the issuance and redemption of units. There is no specific capital requirement which is applicable on the Fund.

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

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

32 NON-ADJUSTING EVENT AFTER YEAR END

The Board of directors of the Management Company in their meeting held on September 15, 2017 approved a final cash distribution of Rs. 80 million, (Re. 0.0937 per unit) for the year ended June 30, 2017. The financial statements of the Fund for the year ended June 30, 2017 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, 2018.

33 DATE OF AUTHORISATION FOR ISSUE

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

34 GENERAL

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

34.2 Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follows:

NAFA ISLAMIC ASSET ALLOCATION FUND

Statement	Rupees in '000	Reclassified	
		From	To
Statement of assets and liabilities	18,406	Payable to NBP Fullerton Asset Management Limited - Management Company	Accrued expenses and other liabilities
Income statement	2,030	Charity expense	Dividend income
Income statement	195	Legal and professional charges	Shariah advisor fee

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015	For the year ended June 30, 2014	For the year ended June 30, 2013	For the year ended June 30, 2012
Net assets at the year / period ended (Rs '000)	14,764,233	5,435,118	2,563,446	556,964	433,002	268,191
Net income for the year / period ended (Rs '000)	2,345,440	469,447	446,075	91,957	105,069	1,380
Net Asset Value per unit at the year / period ended (Rs)	17.0820	15.5920	15.9909	13.0012	13.5881	10.3099
Offer price per unit	17.6611	16.2106	16.6309	13.5260	13.9957	10.6192
Redemption price per unit	17.0820	15.5920	15.9909	13.0012	13.5881	10.3099
Ex - Highest offer price per unit (Rs.)	20.9116	16.3383	15.7930	13.5260	14.2075	10.9870
Ex - Lowest offer price per unit (Rs.)	16.3405	14.0590	11.4213	12.3956	10.3630	9.2356
Ex - Highest redemption price per unit (Rs.)	18.3107	15.7148	15.1854	13.0012	13.7937	10.6670
Ex - Lowest redemption price per unit (Rs.)	14.2000	13.5225	11.3515	11.9146	10.0612	8.9666
Opening Nav of Fiscal Year	14.1982	13.7862	11.3515	10.6366	9.9687	9.1039
Total return of the fund	20.31%	13.10%	33.77%	22.23%	36.31%	13.25%
- capital growth	8.78%	2.95%	14.25%	7.73%	14.85%	13.25%
- income distribution as a % of ex nav	11.53%	10.15%	19.52%	14.50%	21.46%	0.00%
- income distribution as a % of par value	16.38%	15.38%	22.16%	15.42%	21.39%	0.00%
Distribution						
Interim distribution per unit (Rs)	1.6376		1.3794	1.5419	0.4124	-
Final distribution per unit (Rs)	0.0937	1.5380	0.8365	-	1.7269	-
Distribution Dates						
Interim	21-Jun-17			13-Feb-14 30-Apr-14	26-Feb-13 26-Apr-13	-
Final	15-Sep-17	29-Jun-16	29-Jun-15 14-Jul-15	26-Jun-14	11-Jul-13	-
Average annual return of the fund (launch date October 29, 2007)						
(Since inception to June 30, 2017)	16.65%					
(Since inception to June 30, 2016)		16.23%				
(Since inception to June 30, 2015)			16.70%			
(Since inception to June 30, 2014)				14.29%		
(Since inception to June 30, 2013)					12.95%	
(Since inception to June 30, 2012)						8.50%
(Since inception to June 30, 2011)						
(Since inception to June 30, 2010)						
Portfolio Composition (Please see Fund Manager Report)						

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up

NAFA ISLAMIC ASSET ALLOCATION FUND

PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Islamic Asset Allocation Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fullerton Asset Management Limited i.e. www.nafafunds.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:








	Resolutions	For	Against	Abstain
Number	5	5	-	-
(%ages)	100%	100%	-	-



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