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

NAFA ISLAMIC ASSET ALLOCATION FUND

ANNUAL REPORT 2016



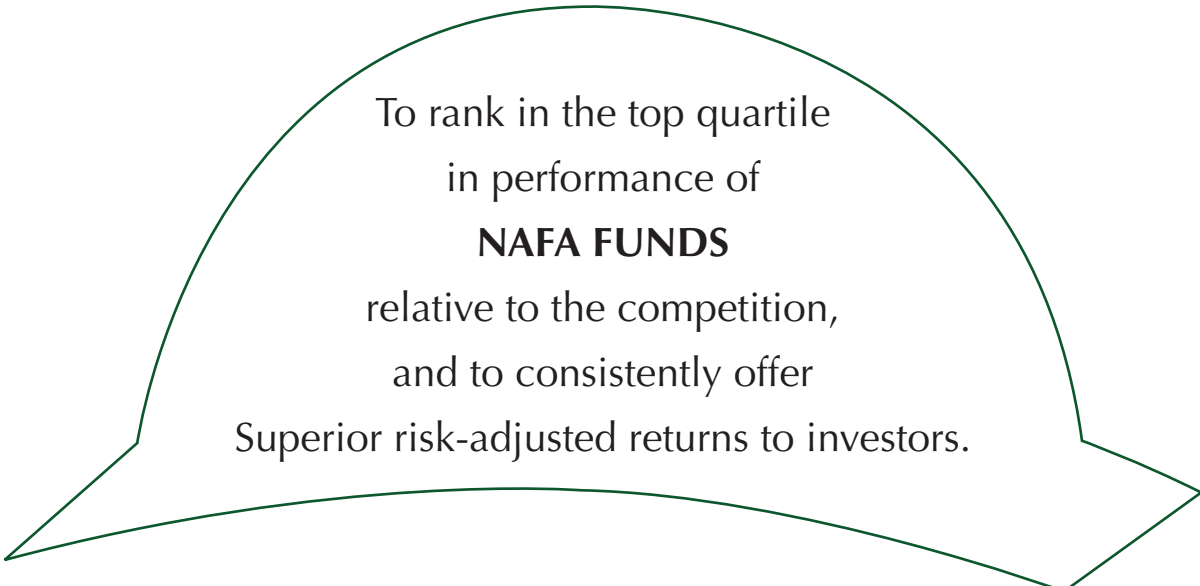
Your investments & "NAFA" grow together



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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main 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
Burj Bank 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

NAFA ISLAMIC ASSET ALLOCATION FUND

Auditors

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

Legal Advisor

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

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 111-111-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



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Nigel Poh Cheng
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Sajjad Anwar, CFA
Chief Investment Officer



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



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Syed Suleman Akhtar CFA
Head of Research



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



Mr. Asim Wahab Khan, CFA
Head of Equity



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman ACA, CICA
Senior Manager Compliance

NAFA ISLAMIC ASSET ALLOCATION FUND

DIRECTORS' REPORT

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

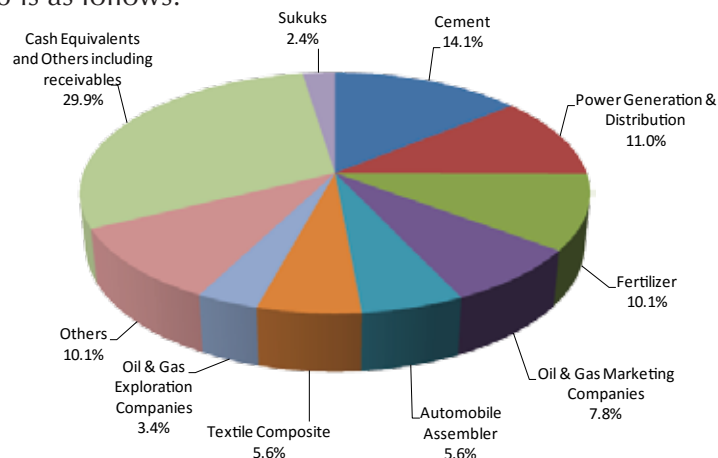
Fund's Performance

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with a 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the large cap energy stocks, and news of Pakistan's re-entry in the MSCI EM Index from next year. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger returns this fiscal year due to inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects.

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

During the fiscal year, the return on NAFA Islamic Asset Allocation Fund was 13.10% as against the benchmark (Average of (i) average 3-month Islamic banks deposit rate (ii) 6-month KIBOR or its Shariah Compliant equivalent (iii) KMI 30 Index) return of 9.15% translating into an out-performance of 3.95% during the year. NIAAF outperformed on the back of timely asset allocation. Further, the Fund was overweight in key stocks in Oil & Gas Exploration Companies, Engineering, Textile Composite, and Refinery sectors that outperformed the market and underweight in key stocks in Fertilizer and Power Generation & Distribution Companies sector that underperformed the market, which contributed to the outperformance. Since inception (October 26, 2007), NIAAF has risen by 269.23%, whereas the Benchmark has risen by 153.77%, thus to date outperformance is 115.46%.

The size of NAFA Islamic Asset Allocation Fund as on June 30, 2016 is Rs.5,435 million. The Fund has earned total income of Rs.571.99 million during the year. After deducting total expenses of Rs.102.91 million, the net income is Rs.469.08 million. During the year, the unit price of NAFA Islamic Asset Allocation Fund has increased from Rs.13.7862 (Ex-Div) on June 30, 2015 to Rs.15.5920 on June 30, 2016. The resultant per unit gain is Rs.1.8058 i.e.13.10%. The asset allocation of NAFA Islamic Asset Allocation Fund as on June 30, 2016 is as follows:



NAFA ISLAMIC ASSET ALLOCATION FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 10.15% of opening ex-NAV (15.38% of the par value) during the year.

Taxation

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

Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2017.

Directors' Statement in Compliance with Code of Corporate Governance

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

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 23, 2016
Place: Karachi.

NAFA ISLAMIC ASSET ALLOCATION FUND

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 30 جون 2016ء کو ختم ہونے والے مالی سال کے لیے NAFA اسلامک ایسیٹ ایلیوکیشن فنڈ کی نويس سالانہ رپورٹ پیش کرتا ہے۔

فنڈ کی پرفارمنس

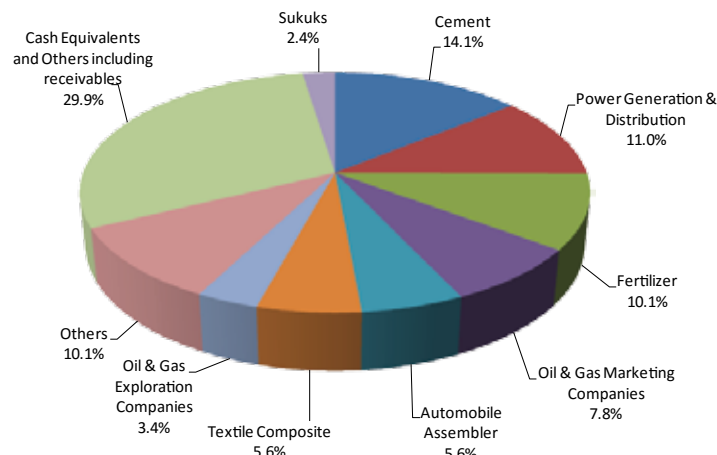
اسٹاک مارکیٹ نے کموڈٹی میں زبردست مندی اور چین کی زیر قیادت عالمی نمو پر خدشات کے زیر اثر علاقائی اور عالمی مارکیٹس کے مطابق غیر متاثرہ کارکردگی سے مالی سال 2015-16 کا آغاز کیا۔ لیکن سال کے دوسرے نصف میں ایک زبردست تیزی کے نتیجے میں مقامی اسٹاک ایکسچینج سال کے آخر میں 9.8 فی صد منافع کے ساتھ بند ہوئے۔ سال کے پہلے نصف کے دوران مارکیٹ آئل اینڈ گیس سیکٹر میں خام تیل کی قیمتوں میں تیزی سے کمی اور غیر ملکی سرمایہ کاروں کی طرف سے بلا روک ٹوک حصص کی فروخت کے نتیجے میں پر دباؤ میں رہی۔ تاہم مارکیٹ نے دوسرے نصف میں خساروں سے کہیں زیادہ منافع کر لیا، جیسا کہ خام تیل کی قیمتوں کی بحالی کا نتیجہ بھاری سرمائے والے انرجی اسٹاکس کی طرف سے زبردست منافع جات کی صورت میں برآمد ہوا اور پاکستان کی آئندہ سال سے MSCI EM میں دوبارہ شمولیت کی خبر سامنے آئی۔ NBFCs، انفرادی اور میوچل فنڈز خالصتاً خریدار رہے اور انہوں نے غیر ملکی سرمایہ کاروں کی طرف سے حصص کی فروخت کے بڑے حصے کو جذب کر لیا۔ انٹارچرٹھاؤ سے بھرپور مالی سال 2015-16 کے بعد MSCI ایمرجنگ مارکیٹس انڈیکس میں شمولیت، قیمتوں کے معقول تعین اور حکومت کی طرف سے سی پیک پروجیکٹس کے نفاذ کے ساتھ انفراسٹرکچر پروجیکٹ پر توجہ مرکوز کرنے کی وجہ سے پاکستانی ایکویٹیز زبردست منافع جات پیش کرنے کے لیے عمدہ پوزیشن میں ہیں۔

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

NAFA اسلامک ایسیٹ ایلیوکیشن فنڈ نے مالی سال کے دوران 9.15% منافع (i) 133% اسلامک بینکس ڈپازٹ کا اوسط سہ ماہی (ii) KIBOR یا اس کے شریعہ کمپلائنس مساوی کے ماہ (iii) KMI 3Q انڈیکس) کا اوسط کے مقابلے میں 13.10% سالانہ منافع پیش کیا۔ اس طرح فنڈ نے اسے سال کے دوران 3.95% سے پیچھے چھوڑ دیا۔ یہ اعلیٰ کارکردگی اٹانے کو بروقت مختص کرنے (asset allocation) کا نتیجہ ہے۔ مزید برآں فنڈ کو آئل اینڈ گیس ایکسپلوریشن کمپنیز، انجینئرنگ، ٹیکسٹائل اور ریٹائٹری کے شعبوں میں اہم اسٹاکس کی برتری حاصل تھی جس نے مارکیٹ کو پیچھے چھوڑ دیا، جب کہ فریٹلائزر اور پاور جنریشن کمپنیوں میں اہم اسٹاکس کی کمی تھی جن کی مارکیٹ کارکردگی پست رہی، جس کا نتیجہ مجموعی نتائج میں بہتری کی صورت میں برآمد ہوا۔ اپنے قیام (26 اکتوبر 2010) سے اب تک NIAAF میں 269.23% اضافہ ہوا ہے، جب کہ منافع مارک 153.77% بڑھا ہے، اس طرح فنڈ کو اس پر تاحال 115.46% برتری حاصل ہے۔

NAFA ایسیٹ ایلیوکیشن فنڈ کا حجم، 30 جون 2016 کے مطابق 5,435 ملین روپے ہے۔ فنڈ نے سال کے دوران 571.99 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 102.91 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 469.08 ملین روپے ہے۔ اس سال کے دوران NAFA ایسیٹ ایلیوکیشن فنڈ کے یونٹ کی قیمت 30 جون 2015 کو 13.7862 روپے (Ex-Div) سے بڑھ کر 30 جون 2016 کو 15.5920 روپے (Ex-Div) ہو چکی ہے۔ اس کا نتیجہ فی یونٹ 1.8085 روپے یعنی 13.10% منافع کی شکل میں سامنے آیا ہے۔

NAFA ایسیٹ ایلیوکیشن فنڈ کی ایسیٹ ایلیوکیشن 30 جون 2016 کو بمطابق درج ذیل ہے:



NAFA ISLAMIC ASSET ALLOCATION FUND

آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران ابتدائی NAV ex-NAV کا 10.15% (دبلیو کے مساوی 15.38%) کیش ڈیویڈنڈ منظور کیا ہے۔

ٹیکسیشن

جیسا کہ مندرجہ بالا کیش ڈیویڈنڈ، انویسٹمنٹس کے تصرف شدہ اور غیر تصرف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس پر سال کے دوران کمائی گئی آمدنی کے 90% سے زائد ہے، انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ 1 کی شق 99 کے تحت فنڈ پر ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور بر بنائے اہلیت، خود کو تختہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CFO، CEO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہارِ تشکر کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

23 ستمبر 2016

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, 2016 in accordance with the provisions of the following:

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

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

Karachi, September 30, 2016

NAFA ISLAMIC ASSET ALLOCATION FUND

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

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA 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.

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

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

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

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

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

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

NAFA 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 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 20 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors including an independent director and the chairman of the committee is non-executive director.

NAFA ISLAMIC ASSET ALLOCATION FUND

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

For and behalf of the Board

Karachi
September 23, 2016

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC ASSET ALLOCATION FUND

FUND MANAGER REPORT

NAFA Islamic Asset Allocation Fund

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

The Benchmark of the Fund is Average of (i) average 3-month Islamic banks deposit rate (ii) 6-month KIBOR or its Shariah Compliant equivalent (iii) KMI 30 Index.

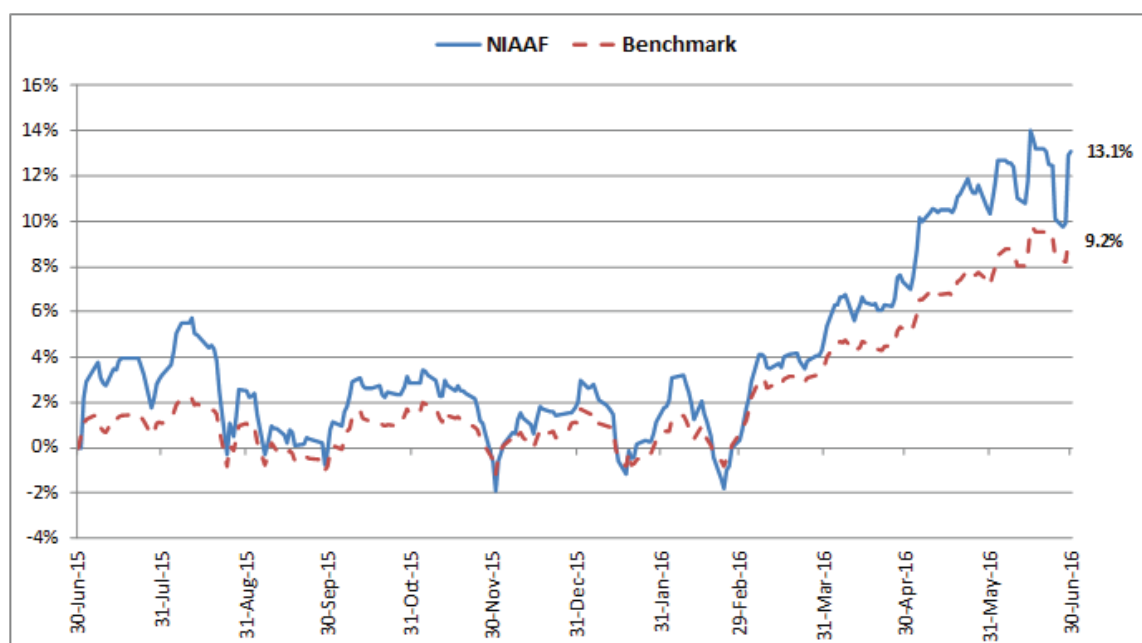
The fund category was changed to Islamic Asset Allocation from Islamic Balanced with effect from April 22, 2014. Consequently, allowed equity range is now 0% to 90% which previously was 30% to 70%. Previous benchmark was 50% KSE-30 Index & 50% 3-month Islamic Bank Deposit.

Fund performance review

This is the ninth 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 13.10%, whereas the benchmark increased by 9.15%, thus an outperformance of 3.95% was recorded. 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 110% to Rs 5,435mn.

NIAAF outperformed during the year on the back of timely asset allocation and better than market performance of its key holdings in Oil & Gas Exploration Companies, Engineering, Textile Composite, and Refinery sectors. Moreover, contribution to the Fund's performance also came from its underweight position in the selected companies of Fertilizer and Power Generation & Distribution Companies sectors that lagged the market, thereby contributing to the outperformance. The chart below shows the performance of NIAAF against the Benchmark for the year.

NIAAF Performance vs. Benchmark during FY16



NAFA ISLAMIC ASSET ALLOCATION FUND

NIAAF was around 67.7% 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, allocation in equities was decreased to around 62%.

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the heavy eight energy stocks and Pakistan's re-entry in MSCI EM Index from next year boosted general investor sentiment. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger return this year as inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects will keep local & foreign investors' interest strong in the market.

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

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-16	30-Jun-15
Equities / Stocks	61.99%	67.71%
Sukuks	0.83%	2.43%
Cash Equivalents	29.23%	52.83%
Other Net Assets / (Liabilities)	7.95%	-22.97%
Total	100.00%	100.00%

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 2016

Interim Period/Quarter	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Interim	15.38%	16.6924	15.1544

NAFA ISLAMIC ASSET ALLOCATION FUND

Unit Holding Pattern of NAFA ISLAMIC ASSET ALLOCATION FUND as on June 30, 2016

Size of Unit Holding (Units)		No. of Unit Holders
1	1000	271
1001	5000	464
5001	10000	506
10001	50000	1524
50001	100000	618
100001	500000	507
500001	1000000	74
1000001	5000000	31
5000001	10000000	4
		1
Total		4000

During the period under question:

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

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of 15.790 million. If the same were not made, the NAV per unit/last one year return of scheme would have been higher by Rs. 0.0453/0.33%. For details, investors are advised to read the Note 13.2 of the Financial Statements of the Scheme for the year ended June 30, 2016.

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, 2016. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 23, 2016
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC ASSET ALLOCATION FUND

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

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

Alhamdulillah, the period from July 1, 2015 to June 30, 2016 was the eight year of operations of NAFA Islamic Asset Allocation Fund (NIAAF). This report is being issued in accordance with clause 5.D.3 of the Trust Deed 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, 2016 and their evaluation according to the screening criteria established by us. (December 31, 2015 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 Ltd	Fertilizer	27.72	7.17	1.05	79	(131.58)	279.39
Pakistan Petroleum Limited	Oil and Gas Exploration Companies	0.11	28	4.02	46	40.05	121.81
Kot Addu Power Co Ltd	Power Generation and Distribution	27.84	0.00	4.68	25.01	8.83	81.00
Hub Power Co Ltd	Power Generation and Distribution	28.91	0.00	0.15	43	(25.00)	102.60

NAFA ISLAMIC ASSET ALLOCATION FUND

Lucky Cement Ltd	Cement	9.55	2.81	1.85	73	(30.12)	495.04
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
Kohinoor Textile Mills Ltd	Textile	19.55	2.31	0.15	91	(54.78)	71.50
Engro Fertilizer	Fertilizer	28.27	11.01	1.24	83	(34.58)	84.13
Mari Petroleum Limited	Oil & Gas Exploration	21.28	0.00	0.45	43.99	(110.95)	697.14

- 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, 2016 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 1,951,857/- was created and an amount of Rupees 1,394,814/- was available for disbursement into charity as of June 30, 2016. 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 were engaged by the Board of directors of NBP Fullerton Asset Management Limited, Management Company of **NAFA Islamic Asset Allocation Fund** (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company for the year ended 30 June 2016 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 5.D.3 of the Trust Deed of the Fund.

Management Company's Responsibilities

The Management Company of the Fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

The Management Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Fund complies with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Fund's compliance with the Shariah principles are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the International Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the statement of the management assessment of compliance with the Shariah principles nor of the underlying records or other sources from which the annexed statement was extracted.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.
2. Check that the Shariah Advisor has certified that investments made by the Fund during the year ended 30 June 2016 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

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended 30 June 2016.

Date: September 23, 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

NAFA ISLAMIC ASSET ALLOCATION FUND

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of NBP Fullerton Asset Management Limited (“the Management Company”) for and on behalf of NAFA – Islamic Asset Allocation Fund (the Fund) for the year ended 30 June 2016, to comply with the Listing Regulation No. 5.19 (Chapter 5) of 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 of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company’s personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of 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 Directors’ statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company’s corporate governance procedures and risks.

The Code requires the 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 its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length 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 of Corporate Governance as applicable to the Fund for the year ended 30 June 2016.

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

Paragraph reference	Description
21	As per the Code, there should be announcement of ‘close period’ prior to the announcement of interim / final results, however there was no such ‘close period’ announced during the year ended 30 June 2016.
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.

Date: 23 September 2016

Place: Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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 30 June 2016 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the 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 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 our 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, we consider 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2016 and of its financial performance, 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.

Date: 23 September 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA ISLAMIC ASSET ALLOCATION FUND

Statement of Assets and Liabilities As at 30 June 2016

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
Assets			
Bank balances	5	1,615,172	977,085
Investments	6	3,414,159	1,818,155
Dividend and profit receivable	7	11,803	10,280
Receivable against sale of investments		53	-
Receivable against conversion of units	8	564,154	79,915
Advance and deposits	9	2,837	2,633
Total assets		<u>5,608,178</u>	<u>2,888,068</u>
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	59,700	31,548
Payable to Central Depository Company of Pakistan Limited - Trustee	11	590	300
Payable to Securities and Exchange Commission of Pakistan	12	3,343	1,192
Payable against redemption of units		21,699	134,876
Payable against conversion of units	8	24,821	112,433
Dividend payable		1,011	11,618
Accrued expenses and other liabilities	13	61,896	32,655
Total liabilities		<u>173,060</u>	<u>324,622</u>
Net assets		<u>5,435,118</u>	<u>2,563,446</u>
Unit holders' fund (as per statement attached)		<u>5,435,118</u>	<u>2,563,446</u>
Contingency and commitment	14		
		(Number of units)	
Number of units in issue	15	<u>348,584,676</u>	<u>160,306,772</u>
		(Rupees)	
Net assets value per unit		<u>15.5920</u>	<u>15.9909</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Income Statement For the year ended 30 June 2016

	Note	2016 (Rupees in '000)	2015
Income			
Dividend income		123,174	44,656
Income from sukuk bonds		13,401	13,743
Gain on sale of investments - net		17,803	89,798
Profit on bank deposits		103,370	29,971
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.4	270,392	228,591
Total income		<u>528,140</u>	<u>406,759</u>
Expenses			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	78,648	28,043
Federal Excise Duty on remuneration of Management Company	10.4	12,584	4,487
Sindh Sales Tax on remuneration of Management Company	10.1	12,772	4,880
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11	4,932	2,272
Sindh Sales Tax on remuneration of Trustee		690	-
Annual fee - Securities and Exchange Commission of Pakistan		3,342	1,192
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	2,509	-
Brokerage and other expenses		3,196	2,398
Settlement and bank charges		673	743
Annual listing fee		40	40
Auditors' remuneration	16	511	513
Legal and professional fees		387	100
Fund rating fee		186	170
Charity		2,030	812
Printing charges		267	77
Reversal of provision against non-performing sukuks classified as 'available for sale' - net	6.6	(17,857)	(3,571)
Total expenses		<u>104,910</u>	<u>42,156</u>
Net income from operating activities		<u>423,230</u>	<u>364,603</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		46,217	90,576
Provision for Workers' Welfare Fund	13.2	-	(9,104)
Net income before taxation		<u>469,447</u>	<u>446,075</u>
Taxation	17	-	-
Net income for the year		<u><u>469,447</u></u>	<u><u>446,075</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Statement of Comprehensive Income For the year ended 30 June 2016

	Note	2016 (Rupees in '000)	2015
Net income for the year		469,447	446,075
Other comprehensive income for the year			
<i>Items to be reclassified to income statement in subsequent periods:</i>			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	6.5	-	6,495
Total comprehensive income for the year		<u>469,447</u>	<u>452,570</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Distribution Statement For the year ended 30 June 2016

	2016	2015
	(Rupees in '000)	
Undistributed income brought forward comprising:		
- Realised income	344,721	89,603
- Unrealised gain	247,527	29,913
	<u>592,248</u>	<u>119,516</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net	-	175,933
Net income for the year	469,447	446,075
Distribution:		
Final distribution for the year ended 30 June 2015:		
- 8.365% (Date of distribution: 16 July 2015) (30 June 2014: Nil)		
- Cash distribution (refer note 15.1)	(128,689)	-
Interim cash distribution for the year ended 30 June 2016 : 15.38% (Date of distribution: 29 June 2016) [(2015: 13.794%) (Date of distribution: 29 June 2015)]		
- Cash distribution (refer note 15.1)	(316,651)	(149,276)
Total distributions	(445,340)	(149,276)
Undistributed income at end of the year	<u>616,355</u>	<u>592,248</u>
Undistributed income carried forward comprising:		
- Realised income	182,540	344,721
- Unrealised gain	433,815	247,527
	<u>616,355</u>	<u>592,248</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Statement of Movement in Unit Holders' Fund For the year ended 30 June 2016

	2016	2015
	(Rupees in '000)	
Net assets at beginning of the year	2,563,446	556,964
Issue of 611,635,153 units (2015: 310,242,559 units)	9,645,500	4,890,060
Redemption of 423 357,249 units (2015: 192,775,201 units)	(6,751,718)	(3,096,296)
	2,893,782	1,793,764
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
- amount representing (income) transferred to income statement	(46,217)	(90,576)
- amount representing (income) transferred to distribution statement	-	(175,933)
	(46,217)	(266,509)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	-	6,495
Gain on sale of investments - net	17,803	89,798
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	270,392	228,591
Other net income for the year	181,252	127,686
Total comprehensive income for the year	469,447	452,570
Distribution:		
Final distribution for the year ended 30 June 2015: 8.365% (Date of distribution: 16 July 2015) (30 June 2014: Nil) - Cash distribution	(128,689)	-
Interim cash distribution for the year ended 30 June 2016 : 15.38% (Date of distribution: 29 June 2016) [(2015: 13.794%) (Date of distribution: 29 June 2015)] - Cash distribution	(316,651)	(149,276)
Total distributions	(445,340)	(149,276)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net	-	175,933
Net assets at end of the year	<u>5,435,118</u>	<u>2,563,446</u>
Net assets value per unit at beginning of the year	<u>15.9909</u>	<u>13.0012</u>
Net assets value per unit at end of the year	<u>15.5920</u>	<u>15.9909</u>
The annexed notes 1 to 29 form an integral part of these financial statements.		

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Cash Flow Statement For the year ended 30 June 2016

	Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before taxation		469,447	446,075
Adjustments:			
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(270,392)	(228,591)
Reversal of provision against non-performing sukuks classified as available for sale - net		(17,857)	(3,571)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(46,217)	(90,576)
		<u>134,981</u>	<u>123,337</u>
(Increase) / decrease in assets			
Investments		(1,307,755)	(1,154,724)
Dividend and profit receivable		(1,523)	(4,075)
Receivable against sale of investments		(53)	1,176
Advance and deposits		(204)	3,401
		<u>(1,309,535)</u>	<u>(1,154,222)</u>
Increase / (decrease) in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		28,152	29,226
Payable to Central Depository Company of Pakistan Limited - Trustee		290	207
Payable to Securities and Exchange Commission of Pakistan		2,151	804
Accrued expenses and other liabilities		29,241	24,349
		<u>59,834</u>	<u>54,586</u>
Net cash (used in) operating activities		<u>(1,114,720)</u>	<u>(976,299)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received against issuance of units		8,800,660	4,810,145
Payments against redemption of units		(6,952,507)	(2,848,987)
Distributions paid		(95,346)	(137,658)
Net cash from financing activities		<u>1,752,807</u>	<u>1,823,500</u>
Net increase in cash and cash equivalents during the year		<u>638,087</u>	<u>847,201</u>
Cash and cash equivalents at beginning of the year		977,085	129,884
Cash and cash equivalents at end of the year	5	<u><u>1,615,172</u></u>	<u><u>977,085</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Notes to and forming part of the Financial Statements For the year ended 30 June 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Asset Allocation Fund (Formerly; NAFA Islamic Multi Asset Fund) ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund, categorised as a "Shariah Compliant (Islamic) Scheme" and Balanced Fund as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Scheme 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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2++ to the Management Company. Based on the performance of the Fund, it has assigned performance ranking of Four Star (short term) to the Fund.

The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

BASIS OF PREPARATION

2 Statement of compliance

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

Accounting convention

2.2 These financial statements are prepared under the historical cost convention except for investments which are carried at fair value.

Functional and presentation currency

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

Critical accounting estimates and judgments

2.4 The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally related to classification and valuation of investments (refer note 4.1 and note 6).

NAFA ISLAMIC ASSET ALLOCATION FUND

3 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

3.1 IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements'. These standards became applicable from 1 July 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Fund.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the Fund, except certain additional disclosures.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that use of revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic 'benefits of the intangible asset are highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Fund's financial statement.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment company; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on the Fund's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the Fund's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on the Fund's financial statements.

NAFA ISLAMIC ASSET ALLOCATION FUND

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 July 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in the Fund's financial statements.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Fund's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented except for the additional disclosures (refer note 3.1).

4.1 Financial Assets

4.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Management Company determines the classification of its financial assets at initial recognition.

a) Loans and receivables

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

b) Financial assets at 'fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

4.1.2 Regular way contracts

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

4.1.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at 'fair value through profit or loss'. Financial assets carried at 'fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed as incurred in the income statement.

4.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

NAFA ISLAMIC ASSET ALLOCATION FUND

a) Basis of valuation of debt securities (other than government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its 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.

b) Basis of valuation of 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.

c) Basis of valuation of equity securities

The investment of the Fund in equity securities is 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 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'.

Subsequent to initial recognition financial assets classified as 'Loans and receivables' are carried at amortised cost using the effective interest method.

4.1.5 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 33 of 2012 dated 24 October 2012 issued by SECP. Impairment losses recognised on debt securities can be reversed through the income statement.

As allowed under circular no. 13 of 2009 dated 4 May 2009 and circular 33 of 2012 dated 24 October 2012 issued by 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 a provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is 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 determined based on the provisioning criteria specified by SECP.

c) 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 as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition costs and the current fair value, less any impairment loss in that financial asset previously recognised in the income statement is reclassified from other comprehensive income to income statement.

4.1.6 Derecognition

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

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4.1.7 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 to realise the assets and settle the liabilities simultaneously.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.3 Financial liabilities

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

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

4.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

4.5 Provisions

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

4.6 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, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. 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.

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

4.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on that day. The offer price represents the net assets 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. The sales load is payable to the investment facilitators, distributors and 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 assets 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.

4.8 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.

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the income statement and to the extent it is represented by unrealized appreciation / (diminution) arising during the year on available for sale securities is included in the distribution statement.

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4.9 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.

4.10 Net assets value per unit

The net assets value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as Financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'available for sale' are included in the statement of comprehensive income in the period in which they arise.
- Profit on bank deposits, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

4.12 Proposed distribution

Dividend / distributions are recognised in the financial statements in the period in which such distributions are declared / approved.

	Note	2016	2015
		(Rupees in '000)	
5 BALANCES WITH BANKS			
In current accounts		163,219	104,317
In savings accounts	5.1 & 5.2	<u>1,451,953</u>	<u>872,768</u>
		<u>1,615,172</u>	<u>977,085</u>

5.1 These accounts carry profit at rates ranging from 5 % to 8% (2015: 4.50% to 10.25%) per annum.

5.2 These have been adjusted with cheques of Rs. 33.945 million issued on account of redemption of units and cheques of Rs. 88.698 million received on account of issuance of units at close of financial year which have cleared / adjusted subsequent to year end.

	Note	2016	2015
		(Rupees in '000)	
6 INVESTMENTS			
At fair value through profit or loss - held for trading			
Listed equity securities	6.1	3,369,248	1,755,054
Investment in sukuk bonds	6.2	44,911	45,073
Available for sale			
Investment in sukuk bonds	6.3	-	18,028
		<u>3,414,159</u>	<u>1,818,155</u>

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6.1 Investment in shares of listed companies - at fair value through profit or loss

Name of the investee company	As at July 1, 2015	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2016	Market value at June 30, 2016	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid-up capital of the investee company held
	----- Number of shares -----					Rupees in '000	----- % -----		
Oil and Gas									
Oil & Gas Development Company Limited	-	662,000	-	173,000	489,000	67,516	1.00	2.00	0.00
Pakistan Oil Fields Limited	104,660	591,600	-	158,500	537,760	186,861	3.00	5.00	8.00
Pakistan Petroleum Limited	285,070	975,300	-	355,800	904,570	140,254	3.00	4.00	1.00
Pakistan State Oil Company Limited	229,796	577,900	-	76,500	731,196	274,535	5.00	8.00	10.00
Attock Petroleum Limited	76,700	12,400	-	-	89,100	38,985	1.00	1.00	5.00
Shell (Pakistan) Limited	106,100	95,000	-	-	201,100	58,361	1.00	2.00	5.00
National Refinery Limited	70,400	68,000	-	138,400	-	-	-	-	-
Attock Refinery Limited	68,100	328,000	-	211,500	184,600	51,714	1.00	2.00	6.00
Hascol Petroleum Limited (Note 6.1.1)	201,970	-	434	199,800	2,604	509	-	-	0.00
Mari Petroleum Company Limited	-	265,800	-	51,750	214,050	194,404	4.00	6.00	18.00
	<u>1,142,796</u>	<u>3,576,000</u>	<u>434</u>	<u>1,365,250</u>	<u>3,353,980</u>	<u>1,013,139</u>	<u>19.00</u>	<u>30.00</u>	
Chemicals									
Fauji Fertilizer Company Limited	161,068	-	-	161,000	68	8	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	825,000	-	-	825,000	43,733	1.00	1.00	0.00
Dynea Pakistan Limited	21,500	-	-	-	21,500	978	-	-	1.00
Engro Fertilizers Limited	585,500	2,304,500	-	1,005,000	1,885,000	121,545	2.00	4.00	1.00
Engro Corporation Limited	621,100	583,200	-	446,100	758,200	252,458	5.00	7.00	5.00
Fatima Fertilizer Limited	2,500	-	-	-	2,500	85	-	-	-
Ittehad Chemicals Limited	357,500	-	107,250	-	464,750	12,139	0.00	0.00	2.00
	<u>1,749,168</u>	<u>3,712,700</u>	<u>107,250</u>	<u>1,612,100</u>	<u>3,957,018</u>	<u>430,946</u>	<u>8.00</u>	<u>12.00</u>	
Construction and Materials									
Attock Cement Pakistan Limited	-	410,900	-	-	410,900	98,086	2.00	3.00	9.00
D.G. Khan Cement Company Limited	965,500	120,000	-	588,000	497,500	94,769	2.00	3.00	2.00
Lucky Cement Company Limited	210,000	216,200	-	95,500	330,700	214,462	4.00	6.00	7.00
Akzo Nobel Pakistan Limited	29,900	-	-	-	29,900	5,521	-	-	1.00
Fauji Cement Company Limited	-	2,827,500	-	341,000	2,486,500	89,017	2.00	3.00	1.00
Maple Leaf Cement Factory Limited	671,000	451,000	-	383,500	738,500	77,919	1.00	2.00	1.00
Pioneer Cement Limited	354,500	188,000	-	7,000	535,500	57,513	1.00	2.00	3.00
Kohat Cement Limited	82,000	-	-	82,000	-	-	-	-	-
Fecto Cement Limited	290,500	74,500	-	88,500	276,500	31,936	1.00	1.00	6.00
	<u>2,603,400</u>	<u>4,288,100</u>	<u>-</u>	<u>1,585,500</u>	<u>5,306,000</u>	<u>669,223</u>	<u>13.00</u>	<u>20.00</u>	
General Industrials									
Thal Limited	110,196	49,000	-	-	159,196	45,056	1.00	1.00	6.00
	<u>110,196</u>	<u>49,000</u>	<u>-</u>	<u>-</u>	<u>159,196</u>	<u>45,056</u>	<u>1.00</u>	<u>1.00</u>	
Personal Goods									
Nishat Mills Limited	374,200	708,900	-	-	1,083,100	116,866	2.00	3.00	3.00
Kohinoor Textile Limited (Refer note 6.1.1)	1,565,500	154,000	245,100	-	1,964,600	157,227	3.00	5.00	6.00
Service Industries Limited	-	26,000	-	-	26,000	22,990	-	1.00	1.00
	<u>1,939,700</u>	<u>888,900</u>	<u>245,100</u>	<u>-</u>	<u>3,073,700</u>	<u>297,083</u>	<u>5.00</u>	<u>9.00</u>	
Electricity									
The Hub Power Company Limited	1,217,760	404,000	-	261,500	1,360,260	163,313	3.00	5.00	1.00
Kot Addu Power Company Limited	1,477,500	145,000	-	90,000	1,532,500	136,776	3.00	4.00	2.00
K-Electric Limited	655,000	4,468,000	-	-	5,123,000	41,291	1.00	1.00	-
Lalpir Power Limited	924,000	-	-	67,000	857,000	18,597	-	1.00	-
Pakgen Power Limited	304,000	775,500	-	-	1,079,500	25,962	-	1.00	1.00
	<u>4,578,260</u>	<u>5,792,500</u>	<u>-</u>	<u>351,500</u>	<u>10,019,260</u>	<u>385,939</u>	<u>7.00</u>	<u>12.00</u>	
Banks									
Meezan Bank Limited	323,781	342,000	-	-	665,781	28,296	1.00	1.00	0.00
	<u>323,781</u>	<u>342,000</u>	<u>-</u>	<u>-</u>	<u>665,781</u>	<u>28,296</u>	<u>1.00</u>	<u>1.00</u>	
AutoMobile and Parts									
Ghandhara Nissan Limited	130,500	-	-	130,500	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	205,800	30,200	-	236,000	-	-	-	-	-
Pak Suzuki Motor Company Limited	39,200	53,600	-	92,800	-	-	-	-	-
Sazgar Engineering Works Limited	171,500	-	-	-	171,500	5,359	-	-	3.00
Baluchistan Wheels Limited	227,000	-	-	-	227,000	18,387	-	1.00	14.00
Indus Motor Company Limited	51,000	68,500	-	5,120	114,380	107,464	2.00	3.00	6.00
	<u>825,000</u>	<u>152,300</u>	<u>-</u>	<u>375,820</u>	<u>601,480</u>	<u>131,210</u>	<u>2.00</u>	<u>4.00</u>	
Industrial Transportation									
Pakistan National Shipping Corporation Limited	63,500	110,700	-	-	174,200	16,322	-	-	1.00
	<u>63,500</u>	<u>110,700</u>	<u>-</u>	<u>-</u>	<u>174,200</u>	<u>16,322</u>	<u>-</u>	<u>-</u>	
Pharma and Bio Tech									
Abbott Laboratories (Pakistan) Limited	30,500	-	-	-	30,500	22,997	-	1.00	2.00
Glaxo smithkline	-	97,100	-	-	97,100	20,110	-	1.00	-
Ferozsons Laboratories Limited	8,600	17,450	-	7,900	18,150	18,712	-	1.00	6.00
The Searle Company Limited (Note 6.1.1)	65,100	-	25,823	21,700	69,223	37,114	1.00	1.00	4.00
	<u>104,200</u>	<u>114,550</u>	<u>25,823</u>	<u>29,600</u>	<u>214,973</u>	<u>98,933</u>	<u>1.00</u>	<u>4.00</u>	
Industrial Metal and Mining									
Crescent Steel & Allied Products Limited	263,000	-	-	263,000	-	-	-	-	-
	<u>263,000</u>	<u>-</u>	<u>-</u>	<u>263,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

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Name of the investee company	As at July 1, 2015	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2016	Market value at June 30, 2016	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid-up capital of the investee company held
	----- Number of shares -----					Rupees in '000	----- % -----		
Multiutilities (Gas and Water)									
Sui Northern Gas Pipeline Limited	746,500	1,000,000	-	1,746,500	-	-	-	-	-
	<u>746,500</u>	<u>1,000,000</u>	<u>-</u>	<u>1,746,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Technology Hardware and Equipment									
Avanceon Limited	450,000	660,000	-	80,500	1,029,500	29,619	1.00	1.00	3.00
	<u>450,000</u>	<u>660,000</u>	<u>-</u>	<u>80,500</u>	<u>1,029,500</u>	<u>29,619</u>	<u>1.00</u>	<u>1.00</u>	<u>3.00</u>
Engineering									
Mughal Iron & Steel Limited (Note 6.1.1)	446,000	446,000	94,125	157,000	829,125	55,709	1.00	2.00	4.00
	<u>446,000</u>	<u>446,000</u>	<u>94,125</u>	<u>157,000</u>	<u>829,125</u>	<u>55,709</u>	<u>1.00</u>	<u>2.00</u>	<u>4.00</u>
Household Goods									
Pak Elektron Limited (Note 6.1.1)	471,000	1,068,000	146,500	623,000	1,062,500	68,691	1.00	2.00	2.00
Tariq Glass Industries Limited	-	685,000	-	-	685,000	50,656	1.00	1.00	7.00
	<u>471,000</u>	<u>1,753,000</u>	<u>146,500</u>	<u>623,000</u>	<u>1,747,500</u>	<u>119,347</u>	<u>2.00</u>	<u>3.00</u>	<u>9.00</u>
Food Producers									
Al Shaheer Corporation Limited (Note 6.1.1)	-	843,000	84,525	-	927,525	48,426	1.00	1.00	4.00
	<u>-</u>	<u>843,000</u>	<u>84,525</u>	<u>-</u>	<u>927,525</u>	<u>48,426</u>	<u>1.00</u>	<u>1.00</u>	<u>4.00</u>
Total - 30 June 2016					<u>32,059,238</u>	<u>3,369,248</u>	62.00	100.00	
Carrying value of investment before fair value adjustment						<u>3,098,694</u>			

6.1.1 This represents gross bonus shares as per Fund's entitlement declared by the investee company. 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 5 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 investee company 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 Fund Association of Pakistan, has filed a petition in Honourable 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 funds based on the premise of exemption given to mutual funds under clause 57 (3) (viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favour and accordingly has recorded the bonus shares on gross basis.

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

6.1.3 The above investments in securities with market value aggregating to Rs. 89.792 million (30 June 2015: 81.635 million) have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated 23 October 2007 issued by SECP.

6.2 Sukuk bonds - held for trading

Name of the investee company	Number of bonds				Market value / carrying value as at 30 June 2016	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of issue size of sukuk held
	As at July 1, 2015	Purchases during the year	Sales / Matured during the year	As at June 30, 2016				
	-----Number of bonds-----				(Rupees in '000)	----- % -----		
K-Electric AZM Sukuk	9,000	-	-	9,000	44,911	0.83	1.32	1.20
	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>44,911</u>	<u>0.83</u>	<u>1.32</u>	<u>1.20</u>
Carrying value as at 30 June 2016					<u>45,073</u>			

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6.3 Sukuk bonds - available for sale

Name of the investee company	Number of bonds				Market value / carrying value as at 30 June 2016	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of issue size of sukuk held
	As at July 1, 2015	Purchases during the year	Sales / Matured during the year	As at June 30, 2016				
-----Number of bonds-----					(Rupees in '000)	----- % -----		
Eden Housing Limited (Note 6.3.3.1 & 6.3.3.2)	5,000	-	-	5,000	-	-	-	3.42
Kohat Cement Company Limited	10,000	-	10,000	-	-	-	-	-
Maple Leaf Cement Factory Limited (1st Issue)	10,000	-	10,000	-	-	-	-	-
Pakistan Electron Limited	10,000	-	10,000	-	-	-	-	-
	<u>35,000</u>	-	<u>30,000</u>	<u>5,000</u>	-	-	-	<u>3.42</u>
Carrying value as at 30 June 2016					4,922			
Provision for Impairment loss as at 30 June 2016					<u>4,922</u>			

* In case of debt securities against which provision has been made, these are carried at amortised cost less provision

6.3.1 Significant terms and conditions of sukuk bonds outstanding as at 30 June 2016 are as follows:

Name of security	Remaining principal (per SUKUK)	Mark-up rate (per annum)	Issue date	Maturity date
Sukuk bonds				
Eden Housing Limited	984	2.5% + 6 Month KIBOR	31 March 2008	31 March 2014
K-Electric AZM Sukuk	5,000	2.25% + 3 month KIBOR	19 March 2014	19 March 2017

6.3.2 All sukuk bonds have a face value of Rs 5,000 each.

6.3.3 Fair value of all performing sukuk certificates, if any, classified as available for sale is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

6.3.3.1 This represents investment in privately placed sukuk bonds issue with a term of five years. On 6 May 2011, these Sukuks have been classified as non performing by MUFAP. The investment has been fully provided. The income suspended on these sukuk bonds up to 30 June 2016 amounted to Rs.1.412 million (30 June 2015: Rs. 0.939 million).

6.3.3.2 The sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the user.

	Note	2016	2015
(Rupees in '000)			
6.4 Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'			
Market value of investments	6.1 & 6.2	3,414,159	1,800,127
Less: Carrying value of investments		<u>3,143,767</u>	<u>1,571,536</u>
		<u>270,392</u>	<u>228,591</u>
6.5 Net unrealised appreciation / (diminution) on re-measurement investments classified as 'available for sale'			
Market value of investments	6.3	-	18,028
Less:			
Carrying value of investments		<u>4,922</u>	<u>34,312</u>
Provision against non-performing sukuks	6.6	<u>(4,922)</u>	<u>(22,779)</u>
		-	11,533
Reversal of appreciation on maturity of investment classified as 'available for sale' - net		<u>-</u>	<u>-</u>
		<u>-</u>	<u>6,495</u>

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	2016	2015
	(Rupees in '000)	
6.6 Movement in provision against non-performing sukuks		
Balance as at 1 July 2015	22,779	26,350
Reversal of provision due to redemption of principal	<u>(17,857)</u>	<u>(3,571)</u>
Balance as at 30 June 2016	<u>4,922</u>	<u>22,779</u>
7 DIVIDEND AND PROFIT RECEIVABLE		
Dividend receivable on equity securities	4,476	5,664
Profit receivable on savings deposits	7,204	4,186
Income accrued on sukuk bonds - net	<u>123</u>	<u>430</u>
	<u>11,803</u>	<u>10,280</u>

8 RECEIVABLE / (PAYABLE) AGAINST CONVERSION OF UNITS

At year end, units of Rs. 2,215.012 million (30 June 2015: Rs. 1,035.717) have been issued and units of Rs. 1,675.680 million (30 June 2015: Rs. 1,068.235) have been redeemed (conversion / switching of units) as per the instructions of units holders of the respective funds between funds managed by the Management Company. However, receivable and payable have been stated based on net settlement basis among funds made subsequent to year end.

	2016	2015
	(Rupees in '000)	
9 ADVANCE AND DEPOSITS		
Security deposits with:		
- National Clearing Company of Pakistan Limited	2,500	2,500
- Central Depository Company of Pakistan Limited	100	100
Advance tax	<u>237</u>	<u>33</u>
	<u>2,837</u>	<u>2,633</u>
10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY		
Management remuneration	10.1 8,125	4,270
Sindh Sales Tax	10.2 1,317	743
Federal Excise Duty	10.4 18,406	5,823
Sindh Sales Tax and Federal Excise Duty on sales load	19,566	7,932
Sales load and others	9,777	12,780
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>2,509</u>	<u>-</u>
	<u>59,700</u>	<u>31,548</u>

10.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2 percent of average annual net assets. Accordingly, the Management Company has charged its remuneration at the rate of 2% of the average annual net assets of the Fund from that date (30 June: 2% per annum). The remuneration is paid to the Management Company on a monthly basis in arrears.

10.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 15% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2014. However, the rate has been revised from 15% to 14% effective from 1 July 2015.

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

The expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund with effect from 25 November 2015.

10.4 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on "the FED.

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Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 18.602 million out of which Rs. 0.196 million have been paid to the Management Company. Had the provision not been made, the Net Assets Value (NAV) per unit of the Fund as at 30 June 2016 would have been higher by Re. 0.0534 per unit (30 June 2015: Re. 0.0375 per unit). However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

	2016	2015
	(Rupees in '000)	
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee remuneration	520	300
Sindh Sales Tax on Trustee remuneration	70	-
	590	300

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2016 is as follows:

Net Asset	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million.

11.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 14% on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective scheme categorized as an Islamic scheme is required to pay an annual fee to SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	2016	2015
		(Rupees in '000)	
13 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		418	369
Brokerage		-	496
Bank charges		193	41
Printing charges		159	124
National Clearing Company of Pakistan		17	36
Charity	13.1	2,822	1,119
Provision for Workers' Welfare Fund	13.2	15,790	15,790
Withholding tax		37,740	9,950
Capital gain tax		4,537	4,576
Others		220	154
		61,896	32,655

13.1 In accordance with the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby the portion of the investment of the investee company has been made in Shariah on-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the year, Rs. 0.327 million (30 June 2015: Rs. 0.190 million) has been given out to charitable institutions.

13.2 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

NAFA ISLAMIC ASSET ALLOCATION FUND

During the year ended 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honorable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, after the exclusion of the mutual funds from federal statute on WWF from 1 July 2015, the Fund has discontinued making the provision in this regard. As a matter of abundant caution, the Fund has decided to continue to maintain the provision for WWF amounting to Rs. 15.790 million (30 June 2015: Rs. 15.790 million). Had the same not been made the net assets value per unit of the Fund would have been higher by Re 0.0453 per unit (30 June 2015: Re. 0.0985 per unit).

14 CONTINGENCY AND COMMITMENT

There is no contingency and commitment outstanding as at 30 June 2016.

	Note	2016	2015
		(Number of units)	
15 NUMBER OF UNITS IN ISSUE			
Total units in issue at beginning of the year			
Add: Units issued		160,306,772	42,839,414
Less: Units redeemed	15.1	611,635,153	310,242,559
Total units in issue at end of the year		<u>(423,357,249)</u>	<u>(192,775,201)</u>
		<u>348,584,676</u>	<u>160,306,772</u>
15.1 This includes 23,081,573 (30 June 2015: 6,248,791) units issued against Dividend Reinvestment Plan amounting to Rs. 360.601 (30 June 2015: 99.325) million net of taxation.			

	2016	2015
	(Rupees in '000)	
16 AUDITORS' REMUNERATION		
Statutory audit fee	300	275
Half yearly review fee	120	110
Out of pocket expenses and others including government levy	91	128
	<u>511</u>	<u>513</u>

17 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Board of Directors of the Management Company in their meeting held on 29 June 2016 has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2016.

18 NON-COMPLIANCE WITH THE CIRCULAR AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 06 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Management Company had classified NAFA Islamic Asset Allocation Fund (the Fund) as 'Shariah Compliant (Islamic) Scheme' and 'Balanced Scheme' in accordance with the said circular. As at 30 June 2016, the Fund is compliant with all the requirements of the said circular except for clause 2(iv) which requires that rating of any debt security in the portfolio shall not be lower than A- (A minus). Non compliance of the said circular are as follows:

NAFA ISLAMIC ASSET ALLOCATION FUND

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
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----- Rupees in '000' -----

Investment in debt securities	a) Eden Housing Limited - Sukuk*	4,922	4,922	-	-	-
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* At the time of purchase, the said Sukuks were in compliance of the said circular (i.e. investment grade) and were subsequently downgraded due to default in payments of due principal and mark-up.

19 FINANCIAL INSTRUMENTS BY CATEGORY

-----as at June 30, 2016-----

	Loans and receivables	At fair value through profit or loss	Available for sale	Total
----- Rupees in '000 -----				
Assets				
Bank balances	1,615,172	-	-	1,615,172
Investments	-	3,414,159	-	3,414,159
Dividend and profit receivable	11,803	-	-	11,803
Receivable against sale of investments	53	-	-	53
Receivable against conversion 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 30 June 2016 -----

Liabilities

	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	59,700	59,700
Payable to Central Depository Company of Pakistan Limited - Trustee	-	590	590
Payable against redemption of units	-	21,699	21,699
Payable against conversion of units	-	24,821	24,821
Dividend payable	-	1,011	1,011
Accrued expenses and other liabilities	-	3,829	3,829
	<u>-</u>	<u>111,650</u>	<u>111,650</u>

-----as at June 30, 2015-----

	Loans and receivables	At fair value through profit or loss	Available for sale	Total
----- Rupees in '000 -----				
Assets				
Bank balances	977,085	-	-	977,085
Investments	-	1,800,127	18,028	1,818,155
Dividend and profit receivables	10,280	-	-	10,280
Receivable against sale of investments	-	-	-	-
Receivable against conversion of units	79,915	-	-	79,915
Deposits	2,600	-	-	2,600
	<u>1,069,880</u>	<u>1,800,127</u>	<u>18,028</u>	<u>2,888,035</u>

----- As at 30 June 2015 -----

	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	31,548	31,548
Payable to Central Depository Company of Pakistan Limited - Trustee	-	300	300
Payable against redemption of units	-	134,876	134,876
Payable against conversion of units	-	112,433	112,433
Dividend payable	-	11,618	11,618
Accrued expenses and other liabilities	-	2,339	2,339
	<u>-</u>	<u>293,114</u>	<u>293,114</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

20.1 Connected persons include National Investment Trust Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and officers of the Management Company and the Trustee and unit holders.

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

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

20.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period / year end are as follows:

20.5 Details of transactions with connected persons are as follows:

	2016	2015
	(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of NBP Fullerton Asset Management Limited - Management Company	78,648	28,043
Federal Excise Duty on remuneration of Management Company	12,584	4,487
Sindh Sales Tax on remuneration of Management Company	12,772	4,880
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,509	-
Sales load	32,114	34,064
Federal Excise Duty on sales load	12,265	5,450
Sindh Sales Tax on sales load	101	5,953
National Bank of Pakistan - Sponsor		
Cash dividend paid	11,618	-
Redemption of Nil units (2015: 8,422,448 units)	-	134,683
NBP Fullerton Asset Management Limited - Management Company (Employee Provident Fund)		
Issue of 1,058,842 units (2015: Nil units)	16,483	-
Redemption of 1,058,842 units (2015: Nil units)	16,509	-
Taurus Securities (Private) Limited		
Brokerage	202	144
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	4,932	2,272
Sindh Sales Tax on remuneration of Trustee	690	-
CDS charges	177	151
Aamir Sattar - Director		
Issue of 108,720 units (2015: 63,489 units)	1,767	1,073
Muhammad Junaid Tayyab		
Issue of 6,222 units (2015: Nil units)	103	-
Employees of the Management Company		
Dividend re-invest 75,110 (2015: Nil units)	1,175	-
Issue of 2,147,410 units (2015: 2,595,978 units)	33,970	38,923
Redemption of 2,265,198 units (2015: 1,909,613 units)	35,944	29,774
CDC Trustee NAFA Islamic Principal Preservation Fund		
Issue of Nil units (2015: 42,050,354 units)	-	671,748
Redemption of units (2015: 19,408,465 units)	-	306,538

NAFA ISLAMIC ASSET ALLOCATION FUND

	2016	2015
	(Rupees in '000)	
20.6 Balances at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management remuneration payable	8,125	4,270
Sindh Sales tax payable	1,317	743
Federal Excise Duty Payable	18,406	5,823
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,509	-
Sales load payable	9,777	12,780
Sindh Sales Tax and Federal Excise Duty on sales load	19,566	7,932
National Bank of Pakistan		
Cash dividend payable	-	11,618
Balance in current account	26,902	1,667
Taurus Securities (Private) Limited		
Brokerage Payable	-	24
Central Depository Company of Pakistan Limited - Trustee		
Remuneration Payable	520	300
Sindh Sales Tax on Trustee remuneration	70	-
Security deposit	100	100
Employees of the Management Company		
Units held: 613,520 (2015: 731,308)	9,566	11,694
Aamir Sattar - Director		
Units held: 172,210 (2015: nil)	2,685	-
Muhammad Junaid Tayyab		
Units held: 6,221 (2015: nil)	97	-
Summit Bank Limited		
Balance held in current account	8,878	2,160
CDC Trustee NAFA Islamic Principal Preservation Fund		
Units held: Nil (2015: 22,641,889)	-	362,064
NAFA Financial Sector Income Fund		
Net receivable against conversion of units	-	4,079
NAFA Islamic Aggressive Income Fund		
Net (payable) / receivable against conversion of units	(22,710)	2,097
NAFA Asset Allocation Fund		
Net receivable against conversion of units	26,139	42,255
NAFA Income Opportunity Fund		
Net receivable against conversion of units	35,775	-
NAFA Savings Plus Fund		
Net receivable against conversion of units	-	6,567
NAFA Money Market Fund		
Net receivable against conversion of units	-	14,574
NAFA Islamic Stock Fund		
Net payable against conversion of units	261,074	93,671
NAFA Riba Free Savings Fund		
Net payable against conversion of units	10,466	18,762
NAFA Government Securities Savings Fund		
Net (payable) / receivable against conversion of units	(700)	251
NAFA Islamic Principle Protected Fund - I		
Receivable against conversion of units	6,512	1,757

NAFA ISLAMIC ASSET ALLOCATION FUND

	2016	2015
	(Rupees in '000)	
NAFA Islamic Principle Protected Fund - II		
Receivable against conversion of units	7,498	1,736
NAFA Government Securities Liquid Fund		
Net (payable) / receivable against conversion of units	(1,411)	6,378
NAFA Income Fund		
Receivable against conversion of units	-	221
NAFA Stock Fund		
Receivable against conversion of units	2,662	-
Nafa Islamic Energy Fund		
Receivable against conversion of units	214,028	-

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	28
2	Sajjad Anwar	CFA / MBA Finance	16
3	Syed Suleman Akhtar	CFA	16
4	Muhammad Ali Bhabha	MBA / MS (CS) / CFA / FRM	21
5	Asim Wahab Khan*	CFA	10
6	Muhammad Imran	CFA, ACCA	10
7	Mr. Asad Haider	MBA	11

21.1 *Asim Wahab Khan is the Fund Manager of the Fund. He is also managing NAFA Multi Asset Fund and NAFA Stock Fund.

22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID/ PAYABLE

	2016 (%)
Taurus Securities Limited	7.79
Arif Habib Limited	7.50
Optimus Capital Management Limited	5.02
Global Securities Pakistan Limited	4.97
Foundation Securities Limited	4.84
Concordaia Securities (Pvt) Limited	4.70
Topline Securities (Pvt) Limited	3.96
J.S. Global Capital Limited	3.91
BMA Capital Management Limited	3.86
Kasb Securites Limited	3.84
	2015 (%)
Elixir Securities Pakistan (Private) Limited	7.94
J.S. Global Capital Limited	7.19
Taurus Securities Limited	6.07
Foundation Securities Limited	4.49
Topline Securities (Private) Limited	4.32
BMA Capital Management Limited	4.21
Arif Habib Limited	4.13
Optimus Capital Management Limited	4.13
Habib Metropolitan Financial Services Limited	3.65
Aqeel Karim Dehdi Securities (Private) Limited	3.6

NAFA ISLAMIC ASSET ALLOCATION FUND

23 PATTERN OF UNIT HOLDING

30 June 2016

Category	Number of unit holders	Investment amount	Percentage of investment
		(Rupees in '000)	%
Individuals	3,867	3,671,961	68
Retirement Funds	68	648,859	12
Listed	1	305,264	6
Insurance Companies	3	93,570	2
Others	61	715,464	12
	<u>4,000</u>	<u>5,435,118</u>	<u>100</u>

PATTERN OF UNIT HOLDING

30 June 2015

Category	Number of unit holders	Investment amount	Percentage of investment
		(Rupees in '000)	%
Individuals	2,064	1,580,386	61.65
Retirement Funds	31	211,370	8.25
Insurance Companies	3	16,578	0.65
Others	25	755,112	29.45
	<u>2,123</u>	<u>2,563,446</u>	<u>100.00</u>

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held during tenure of director	Attended	Leave granted	
Mr. Nausherwan Adil	6	5	1	54th meeting
Mr. Aamir Sattar	6	4	2	56th & 57th meeting
Mr. Abdul Hadi Palekar	6	5	1	58th meeting
Mr. Koh Boon San	6	4	2	54th & 57th meeting
Mr. Nigel Poh Cheng	6	3	3	56th, 58th & 59th meeting
Mr. Kamal Amir Chinoy	6	5	1	57th meeting
Mr. Shehryar Faruque	6	4	2	54th & 59th meeting
Dr. Amjad Waheed	6	6	-	-

25 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

NAFA ISLAMIC ASSET ALLOCATION FUND

25.1 Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

25.1.1 Currency risk

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

25.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2016, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.445 million (2015: Rs 0.625 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Further, in case of variable instruments, the sensitivity analysis has been performed from the last repricing date. Accordingly, the sensitivity analysis prepared as of 30 June 2016 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds no fixed rate instruments.

The composition of the Fund's investment portfolio and rates announced by MUFAP is expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2016 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on the settlement date.

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

Yield / interest rate (%)	Exposed to yield/interest rate risk				Total
	Upto three months	Over three months and upto one year	Over one year	Not exposed to Yield / Interest risk	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	5.00 - 8.00	1,451,953	-	163,219	1,615,172
Investments	8.00 - 9.30	-	44,911	3,369,248	3,414,159
Dividend and profit receivable		-	-	11,803	11,803
Receivable against sale of investments		-	-	53	53
Receivable against conversion of units		-	-	564,154	564,154
Deposits		-	-	2,600	2,600
Sub-total		1,451,953	44,911	4,111,077	5,607,941
Financial Liabilities					
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	59,700	59,700
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	590	590
Payable against redemption of units		-	-	21,699	21,699
Payable against conversion of units		-	-	24,821	24,821
Dividend payable		-	-	1,011	1,011
Accrued expenses and other liabilities		-	-	3,829	3,829
Sub-total		-	-	111,650	111,650
On-balance sheet gap		1,451,953	44,911	3,999,427	5,496,291
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		1,451,953	44,911	3,999,427	5,496,291
Cumulative interest rate sensitivity gap		1,451,953	1,496,864	1,496,864	

NAFA ISLAMIC ASSET ALLOCATION FUND

----- 30 June 2015 -----

Yield / interest rate (%)	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk	Total
	Upto three months	Over three months and upto one year	Over one year		

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

On-balance sheet financial instruments

Financial Assets

Bank balances	4.50 -10.25	872,768	-	-	104,317	977,085
Investments	8.43 - 12.45	-	-	63,101	1,755,054	1,818,155
Dividend and profit receivable		-	-	-	10,280	10,280
Receivable against sale of investments		-	-	-	-	-
Receivable against conversion of units		-	-	-	79,915	79,915
Deposits		-	-	-	2,600	2,600
Sub-total		<u>872,768</u>	<u>-</u>	<u>63,101</u>	<u>1,952,166</u>	<u>2,888,035</u>

Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	31,548	31,548
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	300	300
Payable against redemption of units		-	-	-	134,876	134,876
Payable against conversion of units		-	-	-	112,433	112,433
Dividend payable		-	-	-	11,618	11,618
Accrued expenses and other liabilities		-	-	-	2,339	2,339
Sub-total		<u>-</u>	<u>-</u>	<u>-</u>	<u>293,114</u>	<u>293,114</u>

On-balance sheet gap

	<u>872,768</u>	<u>-</u>	<u>63,101</u>	<u>1,659,052</u>	<u>2,594,921</u>
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Off-balance sheet financial instruments

Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Total interest rate sensitivity gap

	<u>872,768</u>	<u>-</u>	<u>63,101</u>	<u>1,659,052</u>	<u>2,594,921</u>
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Cumulative interest rate sensitivity gap

	<u>872,768</u>	<u>872,768</u>	<u>935,869</u>		
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25.1.3 Price risk

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

The fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities 'at fair value through profit and loss'.

In case of 5% increase / decrease in KSE 100 index on 30 June 2016, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 168.462 million (2015: 87.753 million) as a result of gains / (losses) on equity securities classified 'at fair value through profit and loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2016 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 index.

25.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and bank balances. Risks attributable to investments in National Savings Certificate, Market Treasury Bills and Pakistan Investment Bonds is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2016 and 30 June 2015.

NAFA ISLAMIC ASSET ALLOCATION FUND

2016 2015
(Rupees in '000)

Balances with banks

AAA+, AAA-, AAA	332,871	44,635
AA+, AA-, AA	138,720	111,739
A+, A-, A	1,139,024	820,711
BBB+	4,557	
	<u>1,615,172</u>	<u>977,085</u>

Investments - Sukuk bonds

AA	44,911	45,073
A-	-	18,028
	<u>44,911</u>	<u>63,101</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2016 is the carrying amount of the financial assets.

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government sector and deposits held with commercial banks.

25.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

The Fund is exposed 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.

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, during the current year, no borrowing was obtained by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to 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.

Maturity analysis for financial liabilities

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

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

NAFA ISLAMIC ASSET ALLOCATION FUND

	June 30, 2016			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
Financial Liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	59,700	59,700	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	590	590	-	-
Payable against redemption of units	21,699	21,699	-	-
Payable against conversion of units	24,821	24,821	-	-
Dividend payable	1,011	1,011	-	-
Accrued expenses and other liabilities	3,829	3,829	-	-
	<u>111,650</u>	<u>111,650</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>5,435,118</u>	<u>5,435,118</u>	<u>-</u>	<u>-</u>
	June 30, 2015			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
Financial Liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	31,548	31,548	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	300	300	-	-
Payable against redemption of units	134,876	134,876	-	-
Payable against conversion of units	112,433	112,433	-	-
Dividend payable	11,618	11,618	-	-
Accrued expenses and other liabilities	2,339	2,339	-	-
	<u>293,114</u>	<u>293,114</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>2,563,446</u>	<u>2,563,446</u>	<u>-</u>	<u>-</u>

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

NAFA ISLAMIC ASSET ALLOCATION FUND

30 June 2016									
Carrying value					Fair value				
At fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investment									
- Listed equity securities	3,369,248	-	-	3,369,248	3,369,248	-	-	3,369,248	
- Sukuk bonds	44,911	-	-	44,911	-	44,911	-	44,911	
	3,414,159	-	-	3,414,159	3,369,248	44,911	-	3,414,159	
Financial assets not measured at fair value									
Bank balances	-	1,615,172	-	1,615,172	-	-	-	-	
Dividend and profit receivable	-	11,803	-	11,803	-	-	-	-	
Receivable against sale of investments	-	53	-	53	-	-	-	-	
Receivable against conversion of units	-	564,154	-	564,154	-	-	-	-	
Deposits	-	2,600	-	2,600	-	-	-	-	
	-	2,193,782	-	2,193,782	-	-	-	-	
Financial liabilities not measured at fair value									
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	59,700	59,700	-	-	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	590	590	-	-	-	-	
Payable against redemption of units	-	-	21,699	21,699	-	-	-	-	
Payable against conversion of units	-	-	24,821	24,821	-	-	-	-	
Dividend payable	-	-	1,011	1,011	-	-	-	-	
Accrued expenses and other liabilities	-	-	3,829	3,829	-	-	-	-	
	-	-	111,650	111,650	-	-	-	-	

30 June 2015									
Carrying value					Fair value				
At fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investment									
- Listed equity securities	1,755,054	-	-	1,755,054	1,755,054	-	-	1,755,054	
- Sukuk bonds	45,073	18,028	-	63,101	-	63,101	-	63,101	
	1,800,127	18,028	-	1,818,155	1,755,054	63,101	-	1,818,155	
Financial assets not measured at fair value									
Bank balances	-	977,085	-	977,085	-	-	-	-	
Dividend and profit receivable	-	10,280	-	10,280	-	-	-	-	
Receivable against conversion of units	-	79,915	-	79,915	-	-	-	-	
Deposits and advances	-	2,600	-	2,600	-	-	-	-	
	-	1,069,880	-	1,069,880	-	-	-	-	
Financial liabilities not measured at fair value									
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	31,548	31,548	-	-	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	300	300	-	-	-	-	
Payable against redemption of units	-	-	134,876	134,876	-	-	-	-	
Payable against conversion of units	-	-	112,433	112,433	-	-	-	-	
Dividend payable	-	-	11,618	11,618	-	-	-	-	
Accrued expenses and other liabilities	-	-	32,655	32,655	-	-	-	-	
	-	-	323,430	323,430	-	-	-	-	

NAFA ISLAMIC ASSET ALLOCATION FUND

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

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units.

The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme .

The Fund's objectives when managing unit holders' funds 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 to meet unexpected losses or opportunities.

In accordance with the risk management policies stated in note 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

28 DATE OF AUTHORISATION FOR ISSUE

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

29 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

PERFORMANCE TABLE

Particulars	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	For the year ended June 30, 2011	For the year ended June 30, 2010
Net assets at the year / period ended (Rs '000)	5,435,118	2,563,446	556,964	433,002	268,191	288,582	387,112
Net income for the year / period ended (Rs '000)	469,447	446,075	91,957	105,069	1,380	74,783	54,422
Net Asset Value per unit at the year / period ended (Rs)	15.5920	15.9909	13.0012	13.5881	10.3099	10.8072	10.0702
Offer price per unit	16.2106	16.6309	13.5260	13.9957	10.6192	11.1314	10.3723
Redemption price per unit	15.5920	15.9909	13.0012	13.5881	10.3099	10.8072	10.0702
Highest offer price per unit (Rs)	16.3383	15.7930	13.5260	14.2075	10.9870	11.4558	10.8081
Lowest offer price per unit (Rs)	14.0590	11.4213	12.3956	10.3630	9.2356	8.6488	8.9580
Highest redemption price per unit (Rs)	15.7148	15.1854	13.0012	13.7937	10.6670	11.1221	10.4933
Lowest redemption price per unit (Rs)	13.5225	11.3515	11.9146	10.0612	8.9666	8.3969	8.6971
Opening Nav of Fiscal Year	13.7862	11.3515	10.6366	9.9687	9.1039	8.4141	8.5736
Total return of the fund	13.10%	33.77%	22.23%	36.31%	13.25%	28.44%	17.46%
- capital growth	2.95%	14.25%	7.73%	14.85%	13.25%	1.89%	3.21%
- income distribution as a % of ex nav	10.15%	19.52%	14.50%	21.46%	0.00%	26.55%	14.25%
- income distribution as a % of par value	15.38%	22.16%	15.42%	21.39%	0.00%	22.34%	12.22%
Distribution							
Interim distribution per unit (Rs)		1.3794	1.5419	0.4124	-	0.5310	-
Final distribution per unit (Rs)	1.5380	0.8365	-	1.7269	-	1.7033	1.2217
Distribution Dates							
Interim		-	13-Feb-14	26-Feb-13	-	18-Feb-11	-
		-	30-Apr-14	26-Apr-13	-	19-Apr-11	-
		29-Jun-15	26-Jun-14	-	-	-	-
Final	29-Jun-16	14-Jul-15	-	11-Jul-13	-	4-Jul-11	5-Jul-10
Average annual return of the fund (launch date October 29, 2007)							
(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)						7.25%	
(Since inception to June 30, 2010)							0.26%
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	4	4	-	-
(%ages)	100%	100%	-	-



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