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

NAFA ISLAMIC AGGRESSIVE INCOME FUND

ANNUAL REPORT 2016



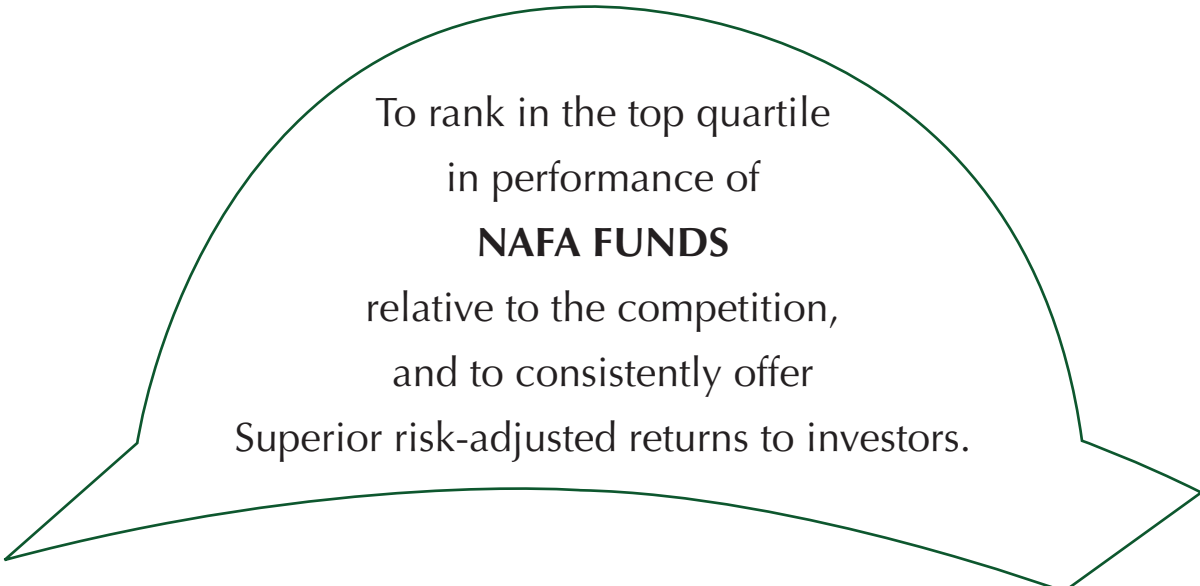
Your investments & "NAFA" grow together



**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 AGGRESSIVE INCOME 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
Bank Alfalah Limited
Bank Al-Habib Limited
Burj Bank Limited
Dubai Islamic Bank Limited
National Bank of Pakistan
NIB Bank Limited
Silk Bank Limited
Meezan Bank Limited
Habib Bank Limited
Bank Islami Pakistan Limited
Sindh Bank Limited
Summit Bank Limited
United Bank Limited

NAFA ISLAMIC AGGRESSIVE INCOME 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 AGGRESSIVE INCOME 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 AGGRESSIVE INCOME FUND

DIRECTORS' REPORT

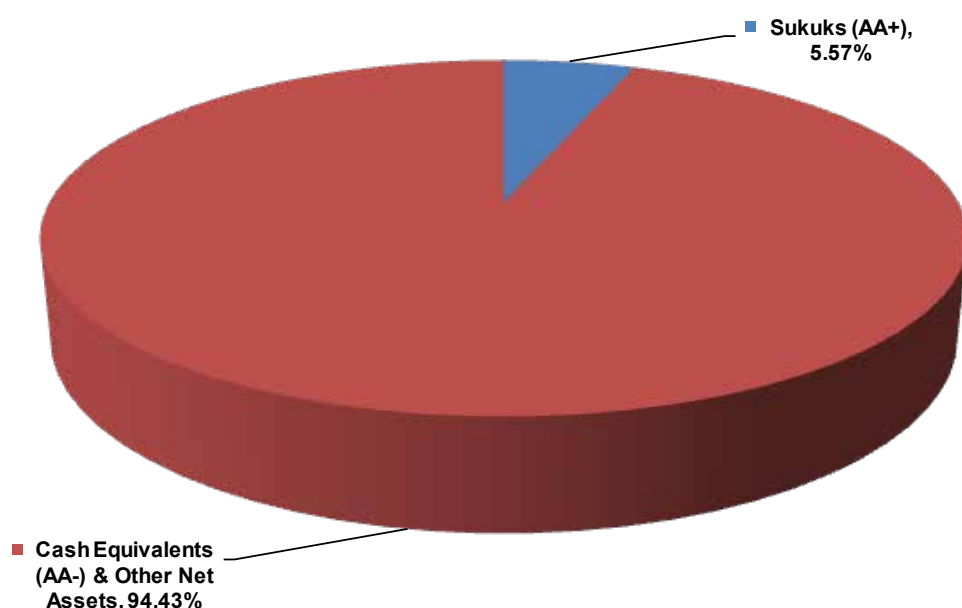
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Ninth Annual Report of **NAFA Islamic Aggressive Income Fund** for the year ended June 30, 2016.

Fund's Performance

The size of NAFA Islamic Aggressive Income Fund has increased from Rs. 1,207 million to Rs. 2,567 million during the period, i.e. an increase of 112.68%. During the said period, the unit price of the Fund has increased from Rs. 8.8298 (Ex-Div) on June 30, 2015 to Rs. 9.4856 on June 30, 2016, thus posting a return of 7.41% as compared to its Benchmark (Average 3-Month deposit rate of Islamic Banks) return of 4.77% for the same period. The return of the Fund is net of management fee and all other expenses.

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

The Fund has earned a total income of Rs.57.05 million during the year. After deducting total expenses of Rs.13.64 million, the net income is Rs.43.41 million. The asset allocation of NAFA Islamic Aggressive Income Fund as on June 30, 2016 is as follows:



NAFA ISLAMIC AGGRESSIVE INCOME FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 7.30% of opening ex-NAV (6.918% 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 Messrs KPMG Taseer Hadi & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(2)(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs Deloitte Yousuf Adil Chartered Accountants, 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 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.

NAFA ISLAMIC AGGRESSIVE INCOME 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, the Trustee and the Shariah and Technical Advisors.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 23, 2016

Place: Karachi.

ڈائریکٹرز رپورٹ

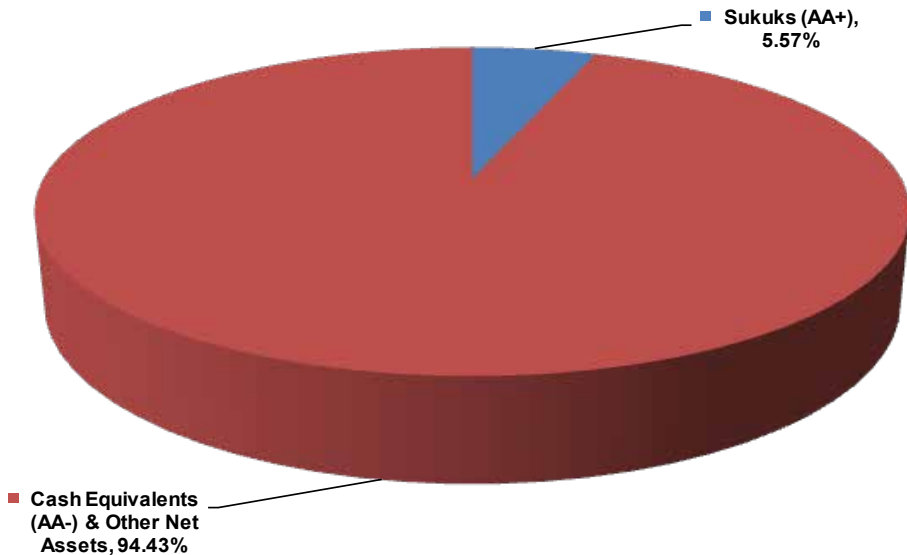
NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بھد مسرت 30 جون 2016ء کو ختم ہونے والے سال کے لیے NAFA اسلامک ایگریسیو انکم فنڈ کی نویں سالانہ رپورٹ پیش کرتا ہے۔

فنڈ کی پرفارمنس

NAFA اسلامک ایگریسیو انکم فنڈ کے حجم میں مدت کے دوران 1,207 ملین روپے سے 2,567 ملین روپے تک اضافہ ہوا ہے، یعنی 112.68% اضافہ۔ اس مدت کے دوران یونٹ کی قیمت 30 جون 2015 کو 8.8298 روپے (Ex-Div) سے 30 جون 2016 کو 9.4856 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے اپنے پہنچ مارک منافع (اسلامک بینکس کے 3 ماہ کے ڈپازٹ ریٹس کا اوسط) 4.77% کے مقابلے میں 7.41% منافع درج کرایا۔ فنڈ کا منافع منجمنٹ فیس اور دیگر اخراجات کے بعد خالص ہے۔

NIAIF کی درجہ بندی بطور اسلامک ایگریسیو انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے A-(f) کی اسٹیبلٹی ریٹنگ دی گئی ہے۔ کاروباری قرض کے حلقے میں TFCs/سکوک میں تجارتی سرگرمیوں کے اعلیٰ کوالٹی اجرائی کارروائیوں کی طرف جھکاؤ کے ساتھ مجموعی تجارتی حجم نے لگ بھگ 8 ارب روپے کو چھو لیا۔ 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 پوائنٹ کی کمی کے مطابق رد عمل دکھایا۔ ہم مالی سال 2017 کے آخر تک اشیائے صرف کی قیمتوں کی جزوی بحالی، پاکستانی روپے کی قدر میں محدود کمی اور نجی شعبے کے قرضوں میں اضافے کی وجہ سے افراط زر کو 6% تک بڑھتا دیکھ رہے ہیں۔

فنڈ نے سال کے دوران 55.32 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 13.65 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 41.67 ملین روپے ہے۔ NAFA اسلامک ایگریسیو انکم فنڈ کی ایسیٹ الیکویشن 30 جون 2016 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران ابتدائی NAV-ex کا 7.30% (مساوی قیمت کا 6.918%) 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۔

NAFA ISLAMIC AGGRESSIVE INCOME FUND

آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹرز کی حیثیت سے اپنی پانچ سالہ میعاد مکمل کر لی ہے اور۔ نان بینکنگ فائننس کمپنیز اینڈ نوٹیفائیڈ اینڈ ریگولیشنز ریگولیشنز 2008 کی ریگولیشن (h)(2)38 کے تقاضے کے مطابق ان کا متبادل درکار ہوگا۔ بورڈ نے 30 جون 2017 کو ختم ہونے والے سال کے لیے میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دے دی ہے۔

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجھٹ 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، ڈیوٹیز، 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 منجھٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 22 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 19 میں ظاہر کی گئی ہے۔

اعتراف

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

NAFA ISLAMIC AGGRESSIVE INCOME FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC AGGRESSIVE INCOME 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 Aggressive Income 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 AGGRESSIVE INCOME 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 Aggressive Income 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 AGGRESSIVE INCOME 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 19 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 AGGRESSIVE INCOME 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 AGGRESSIVE INCOME FUND

FUND MANAGER REPORT

NAFA Islamic Aggressive Income Fund

NAFA Islamic Aggressive Income Fund (NIAIF) is an open-end Shariah Compliant Aggressive Income Scheme.

Investment Objective of the Fund

The objective of NIAIF is to seek preservation of capital and earn a reasonable rate of return in a Shariah compliant manner.

Benchmark

Average 3-month deposit rate of Islamic banks.

Fund Performance Review

This is the ninth Annual report since the launch of the Fund on October 26, 2007. The Fund size increased by a staggering 112.68% during FY16 and stands at Rs 2,567 million as on June 30, 2016. The Fund's return since inception is 6.83% versus the benchmark return of 6.49%. During FY16, the Fund posted an annualized return of 7.41% as compared to the benchmark return of 4.77%. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its stated objectives.

The superior performance of the Fund during the year was on account of principal and profit payment of a non-performing sukus and mark to market gains on performing sukus. The weighted average Yield-to-Maturity (YTM) of the sukuk portfolio is around 5.78% p.a. This yield does not include potential recovery in fully provided Sukuks (Face Value of Rs 115 million), which is a potential upside for the Fund. Weighted average time to maturity of sukuk portfolio and the overall Fund is 2.3 and 0.13 year(s) respectively.

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

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun -16	30-Jun -15
Sukuks	5.57%	2.99%
Cash (Cash Equivalents) & Other Assets	94.43%	97.01%
Total	100.00%	100.00%

NAFA ISLAMIC AGGRESSIVE INCOME FUND

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	6.92%	10.1663	9.4745

Unit Holding Pattern of NAFA Islamic Aggressive Income Fund as on 30th June 2016

Starting Range	Ending Range	Unit Holder
1	1000	66
1001	5000	153
5001	10000	66
10001	50000	330
50001	100000	192
100001	500000	274
500001	1000000	42
1000001	5000000	40
5000001	10000000	7
10000001	100000000	2
Total:		1172

During the period under question:

There has been no other significant change in the state of affairs of the Fund. NAFA Islamic Aggressive Income Fund does not have any soft commission arrangement with any broker in the industry.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs 2,944,049. If the same were not made the NAV per unit/FY16 return of scheme would be higher by Rs 0.0109/0.13%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2016.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Aggressive Income 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 AGGRESSIVE INCOME FUND

Report of the Shari'ah Advisor – NAFA Islamic Aggressive Income Fund

Sep 21, 2016/ Dhu Al-Hijjah 18, 1437

Alhamdulillah, the period from July 1, 2015 to Jun 30, 2016 was the Ninth year of the operations of NAFA Islamic Aggressive Income Fund (NIAIF). 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.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NIAIF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NIAIF by NAFA are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NIAIF for the year ended June 30, 2016 are not in compliance with Shari'ah principles.

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

For and on behalf of Meezan Bank Limited
Shar'iah Technical Services & Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC AGGRESSIVE INCOME 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 Aggressive Income 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 AGGRESSIVE INCOME FUND

Review Report to the Unit Holders on Statement of Compliance with Best Practices of 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 Aggressive Income 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 AGGRESSIVE INCOME FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **NAFA Islamic Aggressive Income 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: September 23, 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Statement of Assets and Liabilities As at 30 June 2016

	Note	2016 (Rupees in '000)	2015
Assets			
Bank balances	5	2,345,246	999,642
Investments	6	142,925	36,084
Profit receivables	7	11,482	4,036
Receivable against conversion of units	8	296,770	268,776
Deposit, advance and prepayment	9	276	272
Total assets		<u>2,796,699</u>	<u>1,308,810</u>
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	9,829	3,875
Payable to Central Depository Company of Pakistan Limited - Trustee	11	291	150
Payable to Securities and Exchange Commission of Pakistan	12	1,382	572
Payable against redemption of units		-	76,695
Payable against conversion of units	8	202,495	7,316
Dividend payable		601	5,701
Accrued expenses and other liabilities	13	15,353	7,107
Total liabilities		<u>229,951</u>	<u>101,416</u>
Net assets		<u>2,566,748</u>	<u>1,207,394</u>
Unit holders' fund (as per statement attached)		<u>2,566,748</u>	<u>1,207,394</u>
Contingency and commitment	14	-----Number of units-----	
Number of units in issue	15	<u>270,595,371</u>	<u>127,435,777</u>
Net assets value per unit		<u>9.4856</u>	<u>9.4745</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Income Statement For the year ended 30 June 2016

	Note	2016 (Rupees in '000)	2015
Income			
Income from sukuk bonds		21,846	12,201
Profit on bank deposits		116,570	61,377
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.4	736	(419)
Gain on sale of investments - net		1,838	-
Total income		140,990	73,159
Expenses			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	14,487	7,626
Federal Excise Duty on remuneration of Management Company	10.3	2,318	1,220
Sindh Sales Tax on remuneration of Management Company	10.2	2,353	1,327
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	2,414	1,232
Sindh Sales Tax on remuneration of Trustee	11.2	338	-
Annual fee - Securities and Exchange Commission of Pakistan	12	1,381	572
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	1,324	-
Settlement and bank charges		436	40
Annual listing fee		40	30
Auditors' remuneration	16	510	496
Legal and professional fees		10	125
Fund rating fee		281	260
Printing charges		50	50
Securities transaction cost		7	-
Shariah Advisor Fee		195	-
Reversal of provision against non-performing sukuk classified as available for sale	6.5	(12,500)	(2,500)
Total expenses		13,644	10,478
Net income from operating activities		127,346	62,681
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(83,940)	(16,178)
Provision for Workers' Welfare Fund	13.1	-	(930)
Net income before taxation		43,406	45,573
Taxation	17	-	-
Net income for the year		43,406	45,573

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Statement of Comprehensive Income For the year ended 30 June 2016

	Note	2016 (Rupees in '000)	2015
Net income for the year		43,406	45,573
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'	6.3	-	3,453
Total comprehensive income for the year		<u>43,406</u>	<u>49,026</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Distribution Statement For the year ended 30 June 2016

	2016	2015
	(Rupees in '000)	
Undistributed income brought forward comprising:		
- Realised income	36,537	20,960
- Unrealised income	24	443
	<u>36,561</u>	<u>21,403</u>
Net income for the year	43,406	45,573
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 holder's fund - net	-	19,661
Final distribution for the year ended 30 June 2016: 6.920% (Date of distribution: 29 June 2016) [(2015: 7.099%) (Date of distribution: 29 June 2015)]		
- Cash distribution (refer note 15.1)	(40,420)	(50,076)
Undistributed income at end of the year	<u>39,547</u>	<u>36,561</u>
Undistributed income carried forward comprising:		
- Realised income	38,787	36,537
- Unrealised income	760	24
	<u>39,547</u>	<u>36,561</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME 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	1,207,394	431,004
Issue of 892,230,031 units (2015: 250,912,866 units)	8,706,189	2,417,811
Redemption of 749,070,437 units (2015: 169,680,205 units)	(7,433,761)	(1,656,549)
	1,272,428	761,262
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
- amount representing loss transferred to income statement	83,940	16,178
- amount representing (income) transferred to distribution statement	-	(19,661)
	83,940	(3,483)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	-	3,453
Gain on sale of investments - net	1,838	-
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	736	(419)
Other net income for the year	40,832	45,992
Total comprehensive income for the year	43,406	49,026
Final distribution for the year ended 30 June 2016: 6.92% (Date of distribution: 29 June 2016) [(2015: 7.099%) (Date of distribution: 29 June 2015)]		
- Cash distribution	(40,420)	(50,076)
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 holder's fund - net	-	19,661
Net assets at end of the year	2,566,748	1,207,394
Net assets value per unit at beginning of the year	9.4745	9.3285
Net assets value per unit at end of the year	9.4856	9.4745

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME 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		43,406	45,573
Adjustments:			
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		83,940	16,178
Reversal of provision against non-performing sukuks classified as available for sale		(12,500)	(2,500)
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(736)	419
		<u>114,110</u>	<u>59,670</u>
(Increase) / decrease in assets			
Investments		(93,605)	23,129
Profit receivables		(7,446)	7,765
Deposits, advance and prepayment		(4)	82
		<u>(101,055)</u>	<u>30,976</u>
Increase in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		5,954	2,882
Payable to Central Depository Company of Pakistan Limited - Trustee		141	119
Payable to Securities and Exchange Commission of Pakistan		810	423
Accrued expenses and other liabilities		8,246	4,164
		<u>15,151</u>	<u>7,588</u>
Net cash generated from operating activities		<u>28,206</u>	<u>98,234</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received on issuance of units		8,643,492	2,149,035
Payment against redemption of units		(7,315,277)	(1,573,238)
Distributions paid		(10,817)	(44,375)
Net cash from financing activities		<u>1,317,398</u>	<u>531,422</u>
Net increase in cash and cash equivalents during the year		<u>1,345,604</u>	<u>629,656</u>
Cash and cash equivalents at beginning of the year		999,642	369,986
Cash and cash equivalents at end of the year	5	<u><u>2,345,246</u></u>	<u><u>999,642</u></u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME 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 Aggressive Income 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.

Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from 22 November 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated 15 November 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Trust Deed executed between the Management Company, CDC and MCBFSL. Thereafter, on 25 August 2014, CDC was re-appointed as the new Trustee of the fund, after MCBFSL retired on prior day.

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

The Fund is an open-ended mutual fund, categorised as a Islamic Income Scheme 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 Fund is to provide preservation of capital and earn a reasonable rate of return. The principal activity of the Fund is to make investments in Shariah compliant securities, having a good credit rating and liquidity subject to the guidelines prescribed by SECP.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2++ to the Management Company and a stability rating of 'A-(f)' to the Fund.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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.

2.2 Accounting convention

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

2.4 Critical accounting estimates and judgments

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.

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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).

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 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 statements.
- 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 entity; 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 the 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 the 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.

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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.

All investments in the Fund as at 30 June 2016 are classified as 'financial assets at fair value through profit and loss'.

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 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:

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a) Basis of valuation of Debt Securities (other than government)

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 government securities are 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 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'.

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.

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.

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 and its subsequent reversal 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 the Fund has transferred substantially all risks and rewards of ownership.

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.

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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 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.

4.4 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.

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

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.

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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.

4.11 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' investments 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.

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
		(Rupee in '000)	
5 BANK BALANCES			
In current accounts	5.1	57,224	19,995
In savings accounts	5.1 & 5.2	2,288,022	979,647
		<u>2,345,246</u>	<u>999,642</u>

5.1 These have been adjusted with cheques of Rs. 76.796 million (2015: Rs. 4.198 million) issued on account of redemption of units and cheques of Rs. 19.748 million (2015: Rs. 8.930 million) received on account of issuance of units at close of financial year which have cleared / adjusted subsequent to year end.

5.2 These accounts carry profit at rates ranging from 4.50% to 7.90% (2015: 5.50% to 10.20%) per annum.

6 INVESTMENTS

Available for sale

Sukuk bonds 6.1 - 21,060

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

Sukuk bonds 6.2 142,925 15,024
142,925 36,084

6.1 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	Percent-age 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 certificates)-----				(Rupees in '000)			
Engro Fertilizer Limited	4,600	-	4,600	-	-	-	-	-
Kohat Cement Company Limited	20,000	-	20,000	-	-	-	-	-
Maple Leaf Cement Factory Limited	5,312	-	5,312	-	-	-	-	-
New Allied Electronics Industries (Private) Limited-1st issue (note 6.1.3 and 6.1.5)	352,000	-	-	352,000	-	-	-	18.33
New Allied Electronics Industries (Private) Limited-2nd issue (note 6.1.3 and 6.1.5)	1,000	-	-	1,000	-	-	-	0.65
Pak Elektron Limited (note 6.1.4 and 6.1.5)	7,000	-	7,000	-	-	-	-	1.25
					<u>-</u>			
Carrying cost of investments as at 30 June 2016					114,905			
Provision for impairment losses as at 30 June 2016					<u>114,905</u>			

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

NAFA ISLAMIC AGGRESSIVE INCOME FUND

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

Sukuk bonds	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
New Allied Electronics Industries (Private) Limited-1st issue	313	2.6% + 3 Month KIBOR	27 July 2007	27 July 2012
New Allied Electronics Industries (Private) Limited-2nd issue	4,905	2.2% + 6 Month KIBOR	03 December 2007	03 December 2012

6.1.2 All sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics (Private) Limited - 1st issue which have a face value of Rs. 312.5.

6.1.3 These represent investments in privately placed Sukuk bonds of the investee company. The investment has been fully provided. The income suspended on these term finance certificate and sukuk up to 30 June 2016 amounted to Rs. 113.84 million (30 June 2015: Rs. 103.65 million).

6.1.4 This represents investment in privately placed sukuk bonds. The investment has been fully provided. The income suspended on these sukuk bonds up to 30 June 2016 amounted to Rs. 5.065 million (30 June 2015: Rs. 4.632 million).

6.1.5 Circular no. 7 of 2009 dated 6 March 2009 issued by SECP requires vide circular no. 16 dated 7 July 2010 that rating of any security in the portfolio shall not be lower than investment grade. As of 30 June 2016 ratings of these sukuk bonds were below investment grade, however at the time of investment these securities were of the investment grade.

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

6.2 Sukuk bonds - At fair value through profit or loss - 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	Percent-age issue size of sukuk held
	As at July 1, 2015	Purchases during the year	Sales / Matured during the year	As at June 30, 2016				
----- Rupees in '000 -----								
Sukuk bonds								
K-Electric Limited - AZM Sukuk (3 years)	3,000	-	-	3,000	14,970	0.58	10.47	0.40
K-Electric Limited - AZM Sukuk (5 years)	-	5,200	-	5,200	27,165	1.06	19.01	1.81
GOPIS-XVI	-	20,000	-	20,000	100,790	3.93	70.52	0.09
					142,925			
Carrying value of investments as at 30 June 2016					142,189			

6.2.1 Significant terms and conditions of sukuk bond outstanding as at 30 June 2016 are as follows:

Sukuk bonds	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
K-Electric Limited - AZM Sukuk (3 years)	5,000	2.25% + 3 month KIBOR	19 March 2014	19 March 2017
K-Electric Limited - AZM Sukuk (5 years)	5,000	2.75% + 3 month KIBOR	19 March 2014	19 March 2019
GOPIS-XVI	5,000	5.45%	18 December 2015	18 December 2018

6.2.2 Sukuk bonds have a face value of Rs 5,000 each.

6.2.3 Sukuk bonds of K- Electric Limited are valued at discretionary rate with the limits prescribed by SECP circular no. 33 of 2012.

6.2.4 Fair value of all sukuk bonds are determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

6.3 Net unrealised appreciation on re-measurement of investments classified as 'available for sale'

	Note	2016	2015
(Rupees in '000)			
Market value of investments		-	21,060
Less:	6.1		
Carrying value of investments		114,905	145,012
Provision against non-performing sukuks		(114,905)	(127,405)
		-	(17,607)
Add: Reversal of unrealized diminution on sale of investment		-	-
		-	3,453

NAFA ISLAMIC AGGRESSIVE INCOME FUND

	Note	2016	2015
		(Rupees in '000)	
6.4 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'			
Market value of investments	6.2	142,925	15,024
Less: Carrying value of investments		(142,189)	(15,443)
		<u>736</u>	<u>(419)</u>
6.5 Movement in provision against non-performing sukuks			
Balance at the beginning of the year		127,405	129,905
Less: Reversal of provision due to recovery		(12,500)	(2,500)
Balance at end of the year		<u>114,905</u>	<u>127,405</u>
7 PROFIT RECEIVABLES			
Profit on savings deposits		11,171	3,178
Income accrued on sukuk bonds - net		311	858
		<u>11,482</u>	<u>4,036</u>
8 RECEIVABLE / (PAYABLE) AGAINST CONVERSION OF UNITS			
At year end, units of Rs. 2,758.934 million (2015: Rs. 954.843 million) have been issued and units of Rs. 2,664.659 million (2015: Rs. 693.383) 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 (refer note 19.6).			
9 DEPOSIT, ADVANCE AND PREPAYMENT	Note	2016	2015
		(Rupees in '000)	
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance tax		33	33
Prepaid annual rating fee		143	139
		<u>276</u>	<u>272</u>
10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management remuneration	10.1	1,389	872
Sindh Sales Tax	10.2	223	152
Federal Excise Duty	10.3	3,955	1,637
Sales load		1,912	715
Sindh Sales Tax and Federal Excise Duty on sales load		1,026	499
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	<u>1,324</u>	<u>-</u>
		<u>9,829</u>	<u>3,875</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 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 1 percent per annum (30 June 2015: 1 percent per annum) of the average net assets of the Fund till 6 December 2015 and effective from 7 December 2015, the Management Company has revised its remuneration to the rate of 10% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1% of average annual net assets per annum.		
10.2	The Sindh Provincial Government has 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	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.		

NAFA ISLAMIC AGGRESSIVE INCOME FUND

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 effect 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.

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. 4.025 million out of which Rs. 0.070 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. 0.0149 per unit (30 June 2015: Re. 0.0134 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.

- 10.4 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.

	Note	2016	2015
		(Rupees in '000)	
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee remuneration	11.1	255	150
Sindh Sales Tax on Trustee remuneration	11.2	36	-
		<u>291</u>	<u>150</u>

- 11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund. Upto 25 August 2014, the tariff rate applicable to the Fund was 0.1% of daily net assets value as per provisions of the Trust Deed. Due to change of Trustee, the tariff structure was revised and applicable to the Fund from 26 August 2014 is as follows:

Net assets	Tariff
Upto Rs 1,000 million	0.17% per annum of NAV
Exceeding Rs 1,000 million and upto Rs 5,000 million 5 billion	Rs 1.7 million plus 0.085% per annum of NAV exceeding Rupees 1 billion
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% per annum of NAV exceeding Rupees 5 billion

- 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 investment scheme categorized as an income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is payable annually in arrears.

	Note	2016	2015
		(Rupees in '000)	
13 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	13.1	2,944	2,944
Auditors' remuneration		400	360
Bank charges		101	4
Brokerage		22	23
Printing charges		75	100
Legal fee		10	125
Settlement charges		66	6
Withholding tax		5,080	1,985
Capital gains tax		6,148	1,248
Shariah Advisor Fee		195	-
Others		312	312
		<u>15,353</u>	<u>7,107</u>

NAFA ISLAMIC AGGRESSIVE INCOME FUND

- 13.1 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.

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. 2.944 million (30 June 2015: Rs. 2.944 million). Had the same not been made the net assets value per unit of the Fund would have been higher by Re. 0.0109 per unit (30 June 2015: Re. 0.0231 per unit).

14 CONTINGENCY AND COMMITMENT

There was no contingency and commitment outstanding as at 30 June 2016 and as at June 30, 2015.

15	NUMBER OF UNITS IN ISSUE	2016	2015
		(Number of Units)	
	Total units in issue at beginning of the year	127,435,777	46,203,116
	Add: Units issued	15.1 892,230,031	250,912,866
	Less: Units redeemed	(749,070,437)	(169,680,205)
	Total units in issue at end of the year	<u>270,595,371</u>	<u>127,435,777</u>

- 15.1 This includes 3,659,404 units (2015: 4,479,179 units) issued against Dividend Reinvestment Plan amounting to Rs. 34.703 million (2015: Rs. 42.425 million), net of taxation.

16	AUDITORS' REMUNERATION	2016	2015
		(Rupees in '000)	
	Audit fee	350	280
	Half yearly review	120	112
	Out of pocket expenses and others including government levy	40	104
		<u>510</u>	<u>496</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 30 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. Accordingly, no provision has been made in these financial statements for the year ended 30 June 2016.

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18 FINANCIAL INSTRUMENTS BY CATEGORY

Assets	-----as at June 30, 2016-----			Total
	Loans and receivables	At fair value through profit or loss	Available for sale	
	----- Rupees in '000 -----			
Bank balances	2,345,246	-	-	2,345,246
Investments	-	142,925	-	142,925
Profit receivables	11,482	-	-	11,482
Receivable against conversion of units	296,770	-	-	296,770
Deposit	100	-	-	100
	<u>2,653,598</u>	<u>142,925</u>	<u>-</u>	<u>2,796,523</u>

Liabilities	-----as at June 30, 2016-----			Total
		At fair value through profit or loss	At amortized cost	
	----- Rupees in '000 -----			
Payable to NBP Fullerton Asset Management Limited - Management Company		-	9,829	9,829
Payable to Central Depository Company of Pakistan Limited - Trustee		-	291	291
Payable against conversion of units		-	202,495	202,495
Dividend payable		-	601	601
Accrued expenses and other liabilities		-	1,181	1,181
		-	<u>214,397</u>	<u>214,397</u>

Assets	-----as at June 30, 2015-----			Total
	Loans and receivables	At fair value through profit or loss	Available for sale	
	----- Rupees in '000 -----			
Bank balances	999,642	-	-	999,642
Investments	-	15,024	21,060	36,084
Profit receivables	4,036	-	-	4,036
Receivable against conversion of units	268,776	-	-	268,776
Deposit	100	-	-	100
	<u>1,272,554</u>	<u>15,024</u>	<u>21,060</u>	<u>1,308,638</u>

Liabilities	-----as at June 30, 2015-----			Total
		At fair value through profit or loss	At amortized cost	
	----- Rupees in '000 -----			
Payable to NBP Fullerton Asset Management Limited - Management Company		-	3,875	3,875
Payable to Central Depository Company of Pakistan Limited - Trustee		-	150	150
Payable against redemption of units		-	76,695	76,695
Payable against conversion of units		-	7,316	7,316
Dividend payable		-	5,701	5,701
Accrued expenses and other liabilities		-	2,178	2,178
		-	<u>95,915</u>	<u>95,915</u>

19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 19.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, MCB Financial Services Limited being the ex - Trustee, National Bank of Pakistan and its connected persons and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding 10 percent or more units of the Fund.
- 19.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 19.3 Remuneration and front-end load payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 19.4 The details of significant transactions and balances with connected persons at year end except those disclosed elsewhere in these financial statements are as follows:

NAFA ISLAMIC AGGRESSIVE INCOME FUND

19.5 Transactions during the year

	2016	2015
	(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	14,487	7,626
Sindh Sales Tax	2,353	1,327
Federal Excise Duty	2,318	1,220
Sales load	2,402	1,295
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,324	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	2,414	1,156
Sindh Sales Tax on Trustee remuneration	338	-
CDS charges	100	13
MCB Financial Services Limited - Ex-Trustee		
Remuneration of the Ex- Trustee	-	76
National Bank of Pakistan - Sponsor		
Cash dividend	-	5,701
Units issued: 75,887,249 units (2015: Nil)	740,000	-
Units redeemed: 75,887,249 units (2015: 8,031,156 units)	747,316	76,091
Alexandra Fund Management Pte. Limited - Sponsor		
Units issued under Dividend Reinvestment: 316,210 units (2015: 306,509 units)	2,999	2,903
Cash Dividend	-	3,629
Employees of Management Company		
Units issued: 7,970,989 units (2015: 4,404,624 units)	77,331	42,934
Unit redeemed: 4,102,692 units (2015: 4,102,692 units)	80,056	40,330
Mr. Khalid Mehmood - CFO		
Units issued: 15,827 units (2015: Nil)	159	-
Hamdard Laboratories (WAQF) Pakistan		
Units issued: Nil (2015: 17,270,079 units)	-	166,866
Units redeemed: Nil (2015: 1,294,413 units)	-	12,260
Cash Dividend	-	12,260

19.6 Amounts outstanding at year end

NBP Fullerton Asset Management Limited - Management Company		
Management remuneration	1,389	872
Sindh Sales Tax	223	152
Federal Excise Duty	3,955	1,637
Sindh Sales Tax and Federal Excise Duty on sales load	1,026	499
Sales load	1,912	715
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,324	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	255	150
Sindh Sales Tax payable	36	-
CDS charges payable	-	6
Security deposit	100	100

NAFA ISLAMIC AGGRESSIVE INCOME FUND

	2016	2015
National Bank of Pakistan - Sponsor	(Rupees in '000)	
Balance in current account	1,780	1,215
Alexandra Fund Management Pte. Limited - Sponsor		
Units held: 5,734,538 units (2015: 5,418,327 units)	54,396	51,336
Employees of Management Company		
Units held: 2,503,769 units (2015: 2,739,627 units)	23,750	25,957
Hamdard Laboratories (WAQF) Pakistan		
Units held: Nil (2015: 18,564,492 units)	-	175,889
NAFA Government Securities Liquid Fund		
Net receivable against conversion of units	90,906	-
NAFA Asset Allocation Fund		
Net (payable) against conversion of units	-	(1,234)
NAFA Islamic Asset Allocation Fund		
Net receivable / (payable) against conversion of units	22,710	(2,097)
NAFA Income Opportunity Fund		
Net receivable against conversion of units	51,671	544
NAFA Islamic Stock Fund		
Net receivable / (payable) against conversion of units	71,918	(3,985)
NAFA Money Market Fund		
Net receivable against conversion of units	-	8,777
NAFA Islamic Energy Fund		
Net (payable) against conversion of units	(202,495)	-
NAFA Riba Free Savings Fund		
Net receivable against conversion of units	32,866	259,455
NAFA Stock Fund		
Net receivable against conversion of units	24,561	-
NAFA Islamic Principal Preservation Fund		
Net receivable against conversion of units	2,138	-

20 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	Mr. Sajjad Anwar	CFA / MBA Finance	16
3	Mr. Syed Suleman Akhtar	CFA	16
4	Mr. Muhammad Ali Bhabha	MBA / MS (CS) / CFA / FRM	21
5	Mr. Asim Wahab Khan	CFA	10
6	Mr. Muhammad Imran*	CFA, ACCA	10
7	Mr. Asad Haider	MBA	11

20.1 *Muhammad Imran is the Fund Manager. He is also managing NAFA Asset Allocation Fund and NAFA Income Opportunity Fund.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

21 BROKER / DEALER BY PERCENTAGE OF COMMISSION PAID

	2016	2015
Elixir Securities Pakistan (Private) Limited	100%	-

22 PATTERN OF UNIT HOLDING

Category	As at June 30, 2016		
	Number of unit holders	Investment amount	Percentage investment
	----- (Rupees in '000) -----		
Individuals	1,100	1,411,120	54.98
Retirement Funds	30	421,417	16.42
Associated Company	1	54,396	2.12
Insurance Companies	13	343,572	13.39
Listed Companies	2	42,768	1.67
Other Corporate	26	293,475	11.43
	<u>1,172</u>	<u>2,566,748</u>	<u>100.00</u>
	----- (Rupees in '000) -----		
Category	As at June 30, 2015		
	Number of unit holders	Investment amount	Percentage investment
	----- (Rupees in '000) -----		
Individuals	512	530,710	43.95
Retirement Funds	13	307,235	25.45
Asset Management Company	1	22,095	1.83
Associated Company	1	51,336	4.25
Insurance Companies	2	32,424	2.69
Commercial Bank	1	102,227	8.47
Other Corporate	10	161,367	13.36
	<u>540</u>	<u>1,207,394</u>	<u>100.00</u>

23 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 directorship	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	-	-

24 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.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

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, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e. market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

24.1 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).

Management of market risk

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

24.1.1 Currency risk

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

24.1.2 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. 1.415 million (2015: Rs 0.357 million).

(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 repricing or maturity date and for off-balance sheet instruments is based on the settlement date is as follows:

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

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		
On-balance sheet financial instruments					
Financial Assets					
Bank balances	4.50 - 7.90	2,288,022	-	57,224	2,345,246
Investments	5.45 - 9.81	-	142,925	-	142,925
Profit receivables	-	-	-	11,482	11,482
Receivable against conversion of units	-	-	-	296,770	296,770
Deposits	-	-	-	100	100
		2,288,022	142,925	365,576	2,796,523
Financial Liabilities					
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	-	9,829	9,829
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	291	291
Payable against redemption of units	-	-	-	-	-
Payable against conversion of units	-	-	-	202,495	202,495
Dividend payable	-	-	-	601	601
Accrued expenses and other liabilities	-	-	-	1,181	1,181
		-	-	214,397	214,397
On-balance sheet gap		<u>2,288,022</u>	<u>-</u>	<u>151,179</u>	<u>2,582,126</u>
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		<u>2,288,022</u>	<u>-</u>	<u>151,179</u>	<u>2,582,126</u>
Cumulative interest rate sensitivity gap		<u>2,288,022</u>	<u>2,288,022</u>	<u>2,430,947</u>	

NAFA ISLAMIC AGGRESSIVE INCOME FUND

----- As at June 30, 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	5.50 - 10.20	979,647	-	19,995	999,642
Investments	8.43 - 12.44	11,483	24,601	-	36,084
Profit receivables		-	-	4,036	4,036
Receivable against conversion of units		-	-	268,776	268,776
Deposits		-	-	100	100
		<u>991,130</u>	<u>24,601</u>	<u>292,907</u>	<u>1,308,638</u>
Financial Liabilities					
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	3,875	3,875
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	150	150
Payable against redemption of units		-	-	76,695	76,695
Payable against conversion of units		-	-	7,316	7,316
Dividend payable		-	-	5,701	5,701
Accrued expenses and other liabilities		-	-	2,178	2,178
		<u>-</u>	<u>-</u>	<u>95,915</u>	<u>95,915</u>
On-balance sheet gap		<u>991,130</u>	<u>24,601</u>	<u>196,992</u>	<u>1,212,723</u>
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>991,130</u>	<u>24,601</u>	<u>196,992</u>	<u>1,212,723</u>
Cumulative interest rate sensitivity gap		<u>991,130</u>	<u>1,015,731</u>		

24.1.3 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. Presently, the Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 30 June 2016.

24.2 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 and bank balances. Risks attributable to investments in Sukuk bonds and bank balances are maintained with a reasonably high credit rating financial institutions / companies.

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

Bank balances	2016	2015
	(Rupees in '000)	
AAA	973,852	2,178
AA+	651	5
AA	21,874	7,712
AA-	29,809	10,186
A+	2,751	5
A	1,029	1,376
A-	1,296,029	978,180
BBB+	19,251	-
	<u>2,345,246</u>	<u>999,642</u>
Investments - Sukuk bonds		
AAA	100,790	-
AA, AA-, AA+	42,135	15,024
A, A-, A+	-	21,060
	<u>142,925</u>	<u>36,084</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.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

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

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:

-----As at 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	9,829	9,829	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	291	291	-	-
Payable against conversion of units	202,495	202,495	-	-
Dividend payable	601	601	-	-
Accrued expenses and other liabilities	1,181	1,181	-	-
	<u>214,397</u>	<u>214,397</u>	-	-
	<u>2,566,748</u>	<u>2,566,748</u>	-	-
Unit holders' fund				
-----As at 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	3,875	3,875	-	-
Payable to Trustee	150	150	-	-
Payable against redemption of units	76,695	76,695	-	-
Payable against conversion of units	7,316	7,316	-	-
Dividend payable	5,701	5,701	-	-
Accrued expenses and other liabilities	2,178	2,178	-	-
	<u>95,915</u>	<u>95,915</u>	-	-
Unit holders' fund	<u>1,207,394</u>	<u>1,207,394</u>	-	-

NAFA ISLAMIC AGGRESSIVE INCOME FUND

25 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.

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.

	As at 30 June 2016				Fair value				
	Available for sale	fair value through profit or loss	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 in securities	-	142,925	-	-	142,925	-	142,925	-	142,925
Financial assets not measured at fair value									
	25.1								
Bank balances	-	-	2,345,246	-	2,345,246	-	-	-	-
Profit receivables	-	-	11,482	-	11,482	-	-	-	-
Receivable against conversion of units	-	-	296,770	-	296,770	-	-	-	-
Deposits	-	-	100	-	100	-	-	-	-
	-	-	2,653,598	-	2,653,598	-	-	-	-
Financial liabilities not measured at fair value									
	25.1								
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	-	9,829	9,829	-	-	-	-
Payable to Trustee	-	-	-	291	291	-	-	-	-
Payable against conversion of units	-	-	-	202,495	202,495	-	-	-	-
Dividend payable	-	-	-	601	601	-	-	-	-
Accrued expenses and other liabilities	-	-	-	1,181	1,181	-	-	-	-
	-	-	-	214,397	214,397	-	-	-	-

NAFA ISLAMIC AGGRESSIVE INCOME FUND

As at 30 June 2015

	Carrying value				Total	Fair value			Total
	Available for sale	fair value through profit or loss	Loans and receivables	Other financial liabilities		Level 1	Level 2	Level 3	
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investment in securities	21,060	15,024	-	-	36,084	-	36,084	-	36,084
Financial assets not measured at fair value									
Bank balances	-	-	999,642	-	999,642	-	-	-	-
Profit receivables	-	-	4,036	-	4,036	-	-	-	-
Receivable against conversion of units	-	-	268,776	-	268,776	-	-	-	-
Deposits	-	-	100	-	100	-	-	-	-
	-	-	1,272,554	-	1,272,554	-	-	-	-
Financial liabilities not measured at fair value									
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	-	3,875	3,875	-	-	-	-
Payable to Trustee	-	-	-	150	150	-	-	-	-
Payable against redemption of units	-	-	-	76,695	76,695	-	-	-	-
Payable against conversion of units	-	-	-	7,316	7,316	-	-	-	-
Dividend payable	-	-	-	5,701	5,701	-	-	-	-
Accrued expenses and other liabilities	-	-	-	2,178	2,178	-	-	-	-
	-	-	-	95,915	95,915	-	-	-	-

25.1 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.

26 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 under management.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

27 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.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME 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
Net assets at the year / period ended (Rs '000)	2,566,748	1,207,394	431,004	165,611	178,615	178,436
Net income for the year / period ended (Rs '000)	43,406	45,573	30,932	7,923	(5,329)	28,973
Net Asset Value per unit at the year / period ended (Rs)	9.4856	9.4745	9.3285	9.1803	8.5954	8.2457
Offer Price per unit	9.6110	9.6009	9.4540	9.2721	8.6814	7.2911
Redemption Price per unit	9.4856	9.4745	9.3285	9.1803	8.5954	7.2189
Highest offer price per unit (Rs)	9.6110	9.6009	9.4540	9.2721	8.6814	8.3672
Lowest offer price per unit (Rs)	8.9506	8.7930	8.3199	8.6849	6.3854	7.2903
Highest redemption price per unit (Rs)	9.4856	9.4745	9.3285	9.1803	8.5954	8.2844
Lowest redemption price per unit (Rs)	8.8314	8.6772	8.2094	8.5989	6.3222	7.2181
Fiscal Year Opening Ex NAV	8.8298	8.6754	8.2082	8.5954	7.2189	7.5621
Total return of the fund	7.43%	9.21%	13.65%	6.80%	19.07%	9.04%
Capital growth	0.13%	1.03%	5.62%	2.25%	19.07%	-7.10%
Income distribution as % of Ex-NAV	7.30%	8.18%	8.03%	4.55%	0.00%	16.14%
Income distribution as % of Par Value	6.92%	7.10%	6.59%	3.91%	0.00%	12.21%
Distribution						
Interim distribution per unit	-	0.7099	-	-	-	0.1937
Final distribution per unit	0.6918	-	0.6592	0.3911	-	1.0268
Distribution Dates						
Interim	29-Jun-16	29-Jun-15	-	-	-	19-Apr-11
Final	-	-	26-Jun-14	11-Jul-13	-	4-Jul-11
Average annual return of the fund (launch date October 26, 2007)						
(Since inception to June 30, 2016)	6.83%	-	-	-	-	-
(Since inception to June 30, 2015)	-	6.80%	-	-	-	-
(Since inception to June 30, 2014)	-	-	6.39%	-	-	-
(Since inception to June 30, 2013)	-	-	-	5.16%	-	-
(Since inception to June 30, 2012)	-	-	-	-	4.82%	-
(Since inception to June 30, 2011)	-	-	-	-	-	1.25%
(Since inception to June 30, 2010)	-	-	-	-	-	-
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	49 Days	2 Days	9 Days	65 Days	80 Days	64 Days
<i>"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."</i>						



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