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Rated by PACRA



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

## NAFA RIBA FREE SAVINGS 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 RIBA FREE SAVINGS FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

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

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource and Remuneration Committee

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

### Trustee

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

### Bankers to the Fund

Al-Baraka Islamic Bank Limited  
Bank Alfalah Limited  
Burj Bank Limited  
Habib Bank Limited  
Meezan Bank Limited  
United Bank Limited  
Summit Bank Limited  
NIB Bank Limited  
BankIslami Pakistan Limited  
MCB Bank Limited  
Silk Bank Limited  
Dubai Islamic Bank Pakistan Limited  
National Bank of Pakistan  
Allied Bank Limited  
Sindh Bank Limited  
Bank Al Habib Limited  
Habib Metropolitan Bank Limited

# NAFA RIBA FREE SAVINGS FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

7th Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 111-111NFA (111-111-632),  
(Toll Free): 0800-20001,  
Fax: (021) 35825329  
Website: [www.nafafunds.com](http://www.nafafunds.com)

## **Lahore Office:**

7-Noon Avenue, Canal Bank,  
Muslim Town, Lahore.  
UAN: 042-111-111-632  
Fax: 92-42-35861095

## **Islamabad Office:**

Plot No. 395, 396  
Industrial Area, I-9/3 Islamabad.  
UAN: 051-111-111-632  
Phone: 051-2514987  
Fax: 051-4859031

## **Peshawar Office:**

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

## **Multan Office:**

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

# NAFA RIBA FREE SAVINGS 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 RIBA FREE SAVINGS FUND

## DIRECTORS' REPORT

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

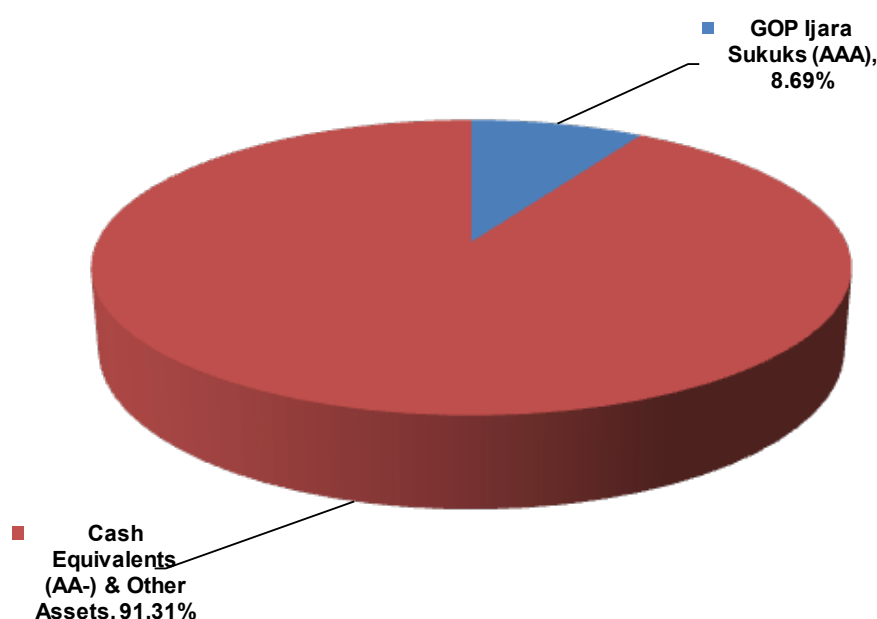
### Fund's Performance

The size of NAFA Riba Free Savings Fund has increased from Rs. 799 million to Rs. 1,160 million during the period, i.e. a growth of 45.18%. During the period, the unit price of the Fund has increased from Rs. 9.6361 (Ex - Div) on June 30, 2015 to Rs. 10.1693 on June 30, 2016, thus posting a return of 5.52% as compared to its Benchmark (Average 6-Month Deposit Rate of A- & above rated Islamic banks) return of 4.89% for the same period. The return of the Fund is net of management fee and all other expenses.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to stock market. The stability rating of the Fund by PACRA is A (f), which denotes a strong capacity to maintain relative stability in returns and very low exposure to risks. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

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.40.03 million during the year. After deducting total expenses of Rs.21.20 million, the net income is Rs.18.83 million. The asset allocation of NAFA Riba Free Savings Fund as on June 30, 2016 is as follows:





# NAFA RIBA FREE SAVINGS FUND

## Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 5.48% of opening ex-NAV (5.57% 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, Deloitte Yousuf Adil, Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2017.

## Directors' Statement in Compliance with Code of Corporate Governance

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

# NAFA RIBA FREE SAVINGS FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 23, 2016  
Place: Karachi.

# NAFA RIBA FREE SAVINGS FUND

## ڈائریکٹرز رپورٹ

NBP فلٹرین ایسیٹ منیجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 30 جون 2016ء کو ختم ہونے والے سال کے لیے NAFA ریفاری سیونگز فنڈ کی چھٹی سالانہ رپورٹ پیش کرتا ہے۔

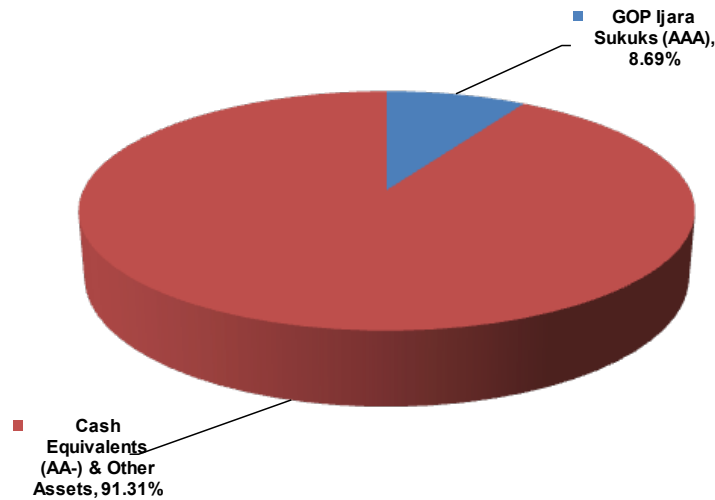
### فنڈ کی پرفارمنس

NAFA ریفاری سیونگز فنڈ کے حجم میں مدت کے دوران 799 ملین روپے سے 1,160 ملین روپے تک اضافہ ہوا ہے، یعنی 45.18% اضافہ۔ اس مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2015 کو 9.6361 روپے (Ex-Div) سے 30 جون 2016 کو 10.1693 روپے تک بڑھ چکی ہے، لہذا اسی مدت کے لیے اپنے بیچ مارک منافع (A-) اور زائریننگ والے اسلامک بینکس کے 6 ماہ کے اوسط ڈپازٹ ریٹس) 4.89% کے مقابلے میں 5.52% منافع درج کرایا۔ فنڈ کا منافع منیجمنٹ فیس اور دیگر اخراجات کے بعد خالص ہے۔

NRFSF ایک اسلامک انکم اسکیم ہے جس کا اسٹاک مارکیٹ سے کوئی براہ راست یا بالواسطہ تعلق نہیں ہے۔ فنڈ کو PACRA کی طرف سے (f) اسٹیبلٹی ریٹنگ دی گئی ہے، جو منافع جات میں متعلقہ استحکام برقرار رکھنے کی زبردست اہلیت اور خطرات کی زد میں آنے کے بہت معمولی امکانات کی نشان دہی کرتی ہے۔ فنڈ کا مقصد اسلامک بینکس / کمرشل بینکس کی اسلامک ونڈز کی پیش کردہ منافع کی شرحوں کے مقابلے میں توازن سے بہتر منافع فراہم کرنا ہے، جب کہ اعلیٰ کوالٹی کے کریڈٹ پروفائل کے ساتھ آسان لیکویڈیٹی بھی مہیا کرنا ہے۔ کسی واحد انسٹرومنٹ کی میچورٹی، ماسوائے حکومت پاکستان کے اجارہ صکوک، 6 ماہ سے تجاوز نہیں کر سکتی۔ حکومت پاکستان کے اجارہ صکوک فلوئنگ ریٹ والے شریعہ کمپلائنٹ سکیورٹیز ہیں جو ماہانہ کوپن ری سیٹس کی حامل ہیں۔ اس سے پرائیونگ کارسک کم ہو جاتا 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 40.03 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 21.20 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 18.83 ملین روپے ہے۔ NAFA ریفاری سیونگز فنڈ کی ایسیٹ ایلوکییشن 30 جون 2016 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے لیے ابتدائی ex-NAV کا 5.48% (مساوی قیمت کا 5.57%) 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 RIBA FREE SAVINGS FUND

## آڈیٹرز

موجودہ آڈیٹرز میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور بر بنائے اہلیت، خود کو ختمہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

## کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو ز 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۔ شاریاتی تحجینے 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 منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔

## اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد اور 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 ٹرسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لا نا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجمنٹ لمیٹڈ

## ڈائریکٹر

## چیف ایگزیکٹو

بتاریخ

23 ستمبر 2016

مقام: کراچی

# NAFA RIBA FREE SAVINGS FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA RIBA FREE SAVINGS FUND

### Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Riba Free Savings 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 RIBA FREE SAVINGS FUND

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

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

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

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

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

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

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

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI 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 RIBA FREE SAVINGS FUND

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

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

## FUND MANAGER REPORT

### NAFA Riba Free Savings Fund

NAFA Riba Free Savings Fund (NRFSF) is an Open-end - Shariah Compliant Income Scheme.

### Investment Objective of the Fund

The objective of NAFA Riba Free Savings Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah compliant banks and money market/debt securities.

### Benchmark

Average 6-month deposit rate of A- and above rated Islamic Banks.

### Fund Performance Review

This is the sixth Annual report since the launch of the Fund on August 20, 2010. The Fund size increase significantly by 45.18% during FY16 and stands at Rs 1,160 million as on June 30, 2016. The Fund has posted a return of 8.38% since its inception versus the benchmark return of 6.97%. During FY16, the Fund posted a return of 5.52% as compared to the benchmark return of 4.89%. This translates into an outperformance of 0.62% p.a. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its investment objectives.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to stock market. The Fund was awarded A(f) stability rating by PACRA. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

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

### Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-16	30-Jun-15
Cash (Cash Equivalents) & Other Assets	91.31%	82.73%
GOP Ijara Sukuk	8.69%	17.27%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

# NAFA RIBA FREE SAVINGS 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	5.57%	10.7212	10.1642

## Unit Holding Pattern of NAFA Riba Free Savings Fund as on 30th June 2016

Size of Unit Holding (Units)	# of Unit Holders
1-1000	225
1001-5000	127
5001-10000	77
10001-50000	177
50001-100000	70
100001-500000	95
500001-1000000	19
1000001-5000000	15
5000001-10000000	3
<b>Total</b>	<b>808</b>

## During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NAFA Riba Free Savings 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 10,079,475. If the same were not made the NAV per unit/FY16 return of scheme would be higher by Rs 0.883/0.91%. For details investors are advised to read note 17 of the Financial Statements of the Scheme for the period ended June 30, 2016.

# NAFA RIBA FREE SAVINGS FUND

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Riba Free Savings Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the 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 RIBA FREE SAVINGS FUND

## Report of the Shari'ah Supervisory Board – NAFA Riba Free Savings Fund

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

**Alhamdulillah**, the period from July 1, 2015 to Jun 30, 2016 was the Sixth year of the operations of NAFA Riba Free Savings Fund (NRFSF). This report is being issued in accordance with clause 5.D.1 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 Supervisory Board, we have prescribed criteria and procedure to be followed in ensuring Shari'ah Compliance in every investment.

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NRFSF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NRFSF 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 NRFSF 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.

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**For and on behalf of Meezan Bank Limited**

*Shari'ah Technical Services and Support Provider*

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**Mufti Muhammad Naveed Alam**

*Member*

*Shariah Supervisory Board*

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**Mufti Ehsan Waquar**

*Shariah Advisor & Member*

*Shariah Supervisory Board*

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**Dr. Imran Ashraf Usmani**

*Chairman*

*Shariah Supervisory Board*



# NAFA RIBA FREE SAVINGS FUND

## INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of NAFA Riba Free Savings Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2016. Our engagement was carried out as required under clause 5.D.1 of the Trust Deed of the Fund.

### Management Company's responsibility

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

### Responsibility of an independent assurance provider

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

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

### The procedures performed included:

- Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2016 are in compliance with the Shariah Principles.

### Conclusion

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

Deloitte Yousuf Adil  
Chartered Accountants  
Karachi  
Dated: September 30, 2016

# NAFA RIBA FREE SAVINGS FUND

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

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

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

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

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

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

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

Paragraph reference	Description
21	As per the Code, there should be announcement of '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.

Deloitte Yousuf Adil  
Chartered Accountants  
Dated: September 30, 2016  
Karachi

# NAFA RIBA FREE SAVINGS FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### Report on the Financial Statements

We have audited the accompanying financial statements of **NAFA Riba Free Savings Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2016, and the related income statement, statement of comprehensive income, cash flow statement, distribution statement and statement of movements in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management Company's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2016, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Report on Other Legal and Regulatory Requirements

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

### Other Matter

The Financial statements of the Fund for the year ended June 30, 2015 were audited by another firm of Chartered Accountants who vide their report dated September 30, 2015 expressed an unmodified opinion thereon.

**Deloitte Yousuf Adil**  
Chartered Accountants

**Engagement Partner:**  
Naresh Kumar

**Date:** September 30, 2016  
**Place:** Karachi

# NAFA RIBA FREE SAVINGS FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

	Note	2016 ------(Rupees in '000)-----	2015
<b>ASSETS</b>			
Balances with banks	4	1,130,634	1,467,701
Investments	5	100,790	138,011
Mark-up accrued	6	6,219	7,965
Deposits, prepayments and other receivables	7	517	19,922
Preliminary expenses and floatation costs	8	-	45
<b>Total assets</b>		<b>1,238,160</b>	<b>1,633,644</b>
<b>LIABILITIES</b>			
Payable to the NBP Fullerton Asset Management Limited - Management Company	9	12,508	11,088
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	178	180
Payable to the Securities and Exchange Commission of Pakistan	11	1,003	1,110
Accrued expenses and other liabilities	12	64,245	822,048
<b>Total liabilities</b>		<b>77,934</b>	<b>834,426</b>
<b>NET ASSETS</b>		<b>1,160,226</b>	<b>799,218</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,160,226</b>	<b>799,218</b>
Contingencies and commitments	13		
<b>-----Number of units-----</b>			
Number of units in issue	14	114,090,522	78,630,792
<b>-----Rupees-----</b>			
Net asset value per unit	15	10.1693	10.1642

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA RIBA FREE SAVINGS FUND

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 ------(Rupees in '000)-----	2015
<b>INCOME</b>			
Return / mark-up on;			
- bank balances		84,916	125,028
- government securities		7,640	13,655
Net loss on sale of investments		(1,011)	(1,115)
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss - held for trading	5.2	790	(2,616)
<b>Total income</b>		<u>92,335</u>	<u>134,952</u>
<b>EXPENSES</b>			
Remuneration of the NBP Fullerton Asset Management Limited - Management Company	9.1	11,773	18,507
Sindh Sales Tax on remuneration of the Management Company	9.2	1,912	3,220
Federal Excise Duty on remuneration of the Management Company	9.3	1,884	2,961
Reimbursement of operational expenses to the Management Company	9.4	839	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	1,974	2,108
Sindh Sales Tax on remuneration of the Trustee	10.2	276	-
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	1,003	1,110
Amortisation of preliminary expenses and floatation costs	8	45	185
Securities transaction cost		-	41
Settlement and bank charges		176	90
Auditors' remuneration	16	650	661
Fund rating fee		314	272
Legal and professional charges		7	125
Annual listing fee		40	40
Printing charges		136	114
Shariah advisor fee		179	-
<b>Total expenses</b>		<u>21,208</u>	<u>29,434</u>
<b>Net income from operating activities</b>		<u>71,127</u>	<u>105,518</u>
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(52,301)	(42,216)
Provision for Workers' Welfare Fund	17	-	(1,266)
<b>Net income for the year before taxation</b>		<u>18,826</u>	<u>62,036</u>
Taxation	18	-	-
<b>Net income for the year after taxation</b>		<u>18,826</u>	<u>62,036</u>
<b>Earnings per unit</b>	19		

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA RIBA FREE SAVINGS FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	2016 ------(Rupees in '000)-----	2015
Net income for the year after taxation	18,826	62,036
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to income statement	-	-
Items that will not be reclassified subsequently to income statement	-	-
<b>Total comprehensive income for the year</b>	<u>18,826</u>	<u>62,036</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA RIBA FREE SAVINGS FUND

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016 ------(Rupees in '000)-----	2015 ------(Rupees in '000)-----
<b>Undistributed income brought forward comprising of:</b>		
- realised income	16,751	2,616
- unrealised (loss) / income	(2,616)	6,816
	14,135	9,432
<b>Net income for the year</b>	18,826	62,036
<b>Final distribution for the year ended June 30, 2016:</b>		
- cash distribution @ Rs. 0.5570 per unit declared on June 30, 2016 (2015: Rs. 0.6831 per unit declared on June 30, 2015)	(18,272)	(59,622)
<b>Net element of income and capital gain included in prices of units issued less those in units redeemed</b>	-	2,289
<b>Undistributed income carried forward</b>	<u>14,689</u>	<u>14,135</u>
<b>Undistributed income carried forward comprising of:</b>		
- realised income	13,899	16,751
- unrealised income / (loss)	790	(2,616)
	<u>14,689</u>	<u>14,135</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA RIBA FREE SAVINGS FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	2016 ------(Rupees in '000)-----	2015 ------(Rupees in '000)-----
Net assets at the beginning of the year	799,218	1,657,030
Issuance of 503,287,581 units (2015: 242,851,538 units)	5,247,613	2,552,162
Redemption of 467,827,851 units (2015: 328,210,820 units)	(4,939,460)	(3,454,604)
	308,153	(902,442)
Net element of loss and capital losses included in prices of units issued less those in units redeemed - transferred to income statement	52,301	42,216
Net element of income and capital gain included in prices of units issued less those in units redeemed - transferred to distribution statement	-	(2,289)
Total comprehensive income for the year	18,826	62,036
<b>Distributions during the year</b>		
Final distribution for the year ended June 30, 2016: - cash distribution @ Rs. 0.5570 per unit declared on June 30, 2016 (2015: Rs. 0.6831 per unit declared on June 30, 2015)	(18,272)	(59,622)
Element of income and capital gain included in prices of units issued less those in units redeemed - amount representing income that forms part of the unit holders fund	-	2,289
Net assets at the end of the year	<u>1,160,226</u>	<u>799,218</u>
	-----Rupees-----	
Net asset value per unit at the beginning of the year	<u>10.1642</u>	<u>10.1045</u>
Net asset value per unit at the end of the year	<u>10.1693</u>	<u>10.1642</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA RIBA FREE SAVINGS FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 ------(Rupees in '000)-----	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		18,826	62,036
<b>Adjustments:</b>			
Return / mark-up on;			
- bank balances		(84,916)	(125,028)
- government securities		(7,640)	(13,655)
Net unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss - held for trading		(790)	2,616
Amortisation of preliminary expenses and floatation costs		45	185
Net element of loss and capital losses included in prices of units issued less those in units redeemed		52,301	42,216
		(41,000)	(93,666)
		(22,174)	(31,630)
<b>(Increase) / decrease in assets</b>			
Investments - net		38,011	239,532
Deposits, prepayments and other receivables		(13)	(29)
		37,998	239,503
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		1,420	3,192
Payable to the Trustee		(2)	(90)
Payable to the Securities and Exchange Commission of Pakistan		(107)	(1,271)
Accrued expenses and other liabilities		3,838	4,120
		5,149	5,951
Mark-up on bank balances received		83,853	139,999
Mark-up on government securities received		10,449	14,608
		115,275	368,431
<b>Net cash generated from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash generated from investing activities		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received from issuance of units		5,267,031	2,506,358
Amounts paid on redemption of units		(5,667,711)	(4,198,295)
Distributions paid		(51,662)	-
Net cash used in financing activities		(452,342)	(1,691,937)
Net decrease in cash and cash equivalents during the year		(337,067)	(1,323,506)
Cash and cash equivalents at the beginning of the year		1,467,701	2,791,207
Cash and cash equivalents at the end of the year	4	1,130,634	1,467,701

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA RIBA FREE SAVINGS FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Riba Free Savings Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 14, 2010 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

On January 11, 2013, MCB Financial Services Limited (MCB-FSL) was appointed as the new Trustee of the Fund, after CDC retired on the prior day. The appointment of the new Trustee was made as per clause 21 of the Trust Deed and Regulation 42(3) of the NBFC Regulations. The supplemental Trust Deed of the Fund was signed on November 16, 2012. Thereafter, on September 4, 2013, CDC was re-appointed as the new Trustee of the Fund, after MCB-FSL retired on the prior day and the supplemental Trust Deed was signed on July 29, 2013.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. Due to the fire incident at the registered office of the Management Company in the month of June 2016, its office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and classified as an Islamic "income scheme" by the Management Company and is listed on the Pakistan Stock Exchange (formerly Lahore Stock Exchange). Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in Shariah compliant banks and money market / debt securities.

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

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of Measurement

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

#### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, except otherwise stated.

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

##### 2.4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and improvements are effective for the year ended June 30, 2016. These standards, improvements and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

# NAFA RIBA FREE SAVINGS FUND

IFRS 10 – Consolidated Financial Statements

Effective from accounting period beginning on or after January 01, 2015

IFRS 11 – Joint Arrangements

Effective from accounting period beginning on or after January 01, 2015

IFRS 12 – Disclosure of Interests in Other Entities

Effective from accounting period beginning on or after January 01, 2015

IAS 27 (Revised 2011) – Separate Financial Statements

Effective from accounting period beginning on or after January 01, 2015

IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures

Effective from accounting period beginning on or after January 01, 2015

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

## IFRS 13 – Fair Value Measurement

In addition to the above standards, IFRS 13 'Fair Value Measurement' also became effective in the current year. IFRS 13 consolidates the guidance on how to measure fair value, which was spread across various IFRSs, 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 (refer note 27).

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

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

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

Effective from accounting period beginning on or after January 01, 2018

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture

Effective date is deferred indefinitely. Earlier adoption is permitted.

Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception

Effective from accounting period beginning on or after January 01, 2016

Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations

Effective from accounting period beginning on or after January 01, 2016

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative

Effective from accounting period beginning on or after January 01, 2016

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative

Effective from accounting period beginning on or after January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses

Effective from accounting period beginning on or after January 01, 2017

Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization

Effective from accounting period beginning on or after January 01, 2016

Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants

Effective from accounting period beginning on or after January 01, 2016

Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements

Effective from accounting period beginning on or after January 01, 2016

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

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

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

## 2.5 Critical accounting judgments and estimates

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

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

- a) classification of financial assets (note 3.2.1)
- b) impairment of financial assets (note 3.2.5)
- c) provisions (note 3.9)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

### 3.1 Cash and cash equivalents

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

### 3.2 Financial assets

#### 3.2.1 Classification

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

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

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

##### b) Loans and receivables

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

##### c) Available for sale

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

#### 3.2.2 Regular way contracts

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

#### 3.2.3 Initial recognition and measurement

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

#### 3.2.4 Subsequent measurement

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



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## a) Debt securities (other than government securities)

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

## b) Government securities

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

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

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

## c) Loans and receivables

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

### 3.2.5 Impairment of financial assets

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

#### a) Debt securities

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

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

#### b) Loans and receivables

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

### 3.2.6 Derecognition

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

### 3.2.7 Offsetting of financial assets and financial liabilities

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

## 3.3 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'.

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## 3.4 Securities purchased under resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo transaction.

All reverse repo transactions are accounted for on the settlement date.

## 3.5 Financial liabilities

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

## 3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## 3.7 Issuance and redemption of units

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

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

## 3.8 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.

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

## 3.9 Provisions

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

## 3.10 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the 'income statement' in the period in which they arise.
- Markup / return on government securities, sukuks, bank balances and term deposits are recognized on a time proportion basis using the effective interest method.

## 3.11 Taxation

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

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

## 3.12 Proposed distributions

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

## 3.13 Earnings per unit

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

	Note	2016 -----Rupees in '000-----	2015
<b>4 BALANCES WITH BANK</b>			
Current accounts		17,282	24,221
Savings accounts	4.1	1,113,352	1,443,480
		<u>1,130,634</u>	<u>1,467,701</u>

4.1 These saving accounts carry mark-up at rates ranging from 4.50% to 7.90% per annum (2015: 4.50% to 8.43% per annum).

	Note	2016 -----Rupees in '000-----	2015
<b>5 INVESTMENTS</b>			
<b>Financial assets at fair value through profit or loss - held for trading</b>			
Government securities - GoP ijarah sukuku	5.1	100,790	138,011
		<u>100,790</u>	<u>138,011</u>

## 5.1 Government securities - GoP ijarah sukuku

Name of Investee Company	Issue Date	Number of certificates				Market Value as at June 30, 2016	Investment as percentage of		
		As at July 01-2015	Purchases during the period	Sales during the period	As at June 30, 2016		Net assets	Market value of total investments	Total investments

Rupees in '000'

All certificates have a face value of Rs.100,000 each

GoP ijara sukuk X	02-Mar-2012 to 21-Nov-2015	400	-	400	-	-	-	-	-
GoP ijara sukuk XI	30-Apr-2012 to 21-Nov-2015	240	-	240	-	-	-	-	-
GoP ijara sukuk XIII	18-Sept-2012 to 21-Nov-2015	470	-	470	-	-	-	-	-
GoP ijara sukuk XIV	28-Mar-2013 to 28-Mar-2016	260	-	260	-	-	-	-	-
GoP ijara sukuk XVI	18-Dec-2015 to 18-Dec-2018	-	1,000	-	1,000	100,790	0.01%	100%	0.09%
						<u>100,790</u>	<u>0.01%</u>	<u>100%</u>	<u>0.09%</u>

Carrying value before mark to market as at June 30, 2016

100,000

5.1.1 GoP ijara sukuk held by the Fund carry mark-up at 5.46% (2015: 7.59% to 8.34%) per annum.

	Note	2016 -----Rupees in '000-----	2015
<b>5.2 Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss - held for trading</b>			
Market value of investments	5.1	100,790	138,011
Less: carrying value of investments before mark to market	5.1	(100,000)	(140,627)
		<u>790</u>	<u>(2,616)</u>

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6	MARK-UP ACCRUED	Note	2016 -----Rupees in '000-----	2015
	Mark-up accrued on bank balances		6,025	4,962
	Mark-up accrued on government securities		194	3,003
			<u>6,219</u>	<u>7,965</u>
7	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		2016 -----Rupees in '000-----	2015
	Receivable against issuance of units	7.1	154	19,572
	Security deposits with:			
	- Central Depository Company of Pakistan Limited		200	200
	Prepayments		163	150
			<u>517</u>	<u>19,922</u>
7.1	This represents amounts receivable from other collective investment schemes being managed by the Management Company of the Fund. These amounts are receivable in respect of units issued to various unit holders based on their request for transfer of units from other collective investment schemes to the Fund. These amounts have been received from respective collective investment schemes subsequent to the year ended June 30, 2016.			
8	PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	2016 -----Rupees in '000-----	2015
	Opening balance	8.1	45	230
	Less: amortisation during the year		(45)	(185)
	Closing balance		<u>-</u>	<u>45</u>
8.1	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from August 20, 2010 as per the requirements set out in the Trust Deed.			
9	PAYABLE TO THE NBP FULLERTON MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2016 -----Rupees in '000-----	2015
	Remuneration of the Management Company	9.1	554	1,622
	Sindh Sales Tax on remuneration of the Management Company	9.2	91	283
	Federal Excise Duty on remuneration of the Management Company	9.3	10,657	8,773
	Operational expenses	9.4	839	-
	Sales load		367	410
			<u>12,508</u>	<u>11,088</u>

- 9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulation), the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets provided that the Management Company may charge performance based or fixed fee or the combination of both which shall exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

On November 25, 2015 SECP has made certain amendments in the NBFC Regulations 2008 through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations 2008, the applicable rate has been changed from 2% to 1.5%.

The Management Company has charged management remuneration at the rate of 1.25% per annum until December 06, 2015. Thereafter from December 07, 2015, the Management Company has revised their policy for charging management remuneration as per table given below:

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Management remuneration as % of net income	Minimum management remuneration ( as % of average net asset value)	Maximum management remuneration ( as % of average net asset value)
10.00%	0.50%	1.25%

\* Net income = Gross income - all expenses of the fund excluding Management remuneration and related Sales Tax and Federal Excise Duty thereon.

Management remuneration is paid on a monthly basis in arrears.

- 9.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 14% (2015: 15%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 9.3 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on management remuneration had been made applicable effective from June 13, 2013. In this regard, demand notices were received by some asset management companies, including the Management Company, for collection of FED on management remuneration. Mutual Fund Association of Pakistan (MUFAP) took up the matter collectively and filed a petition with the Honorable Sindh High Court and was granted stay in this regard.

That time, the Management Company took the view that since the remuneration was already subject to provincial sales tax, further levy of FED may result in double taxation, which did not appear to be the spirit of the law. Therefore, the Management Company also filed a petition against the demand notice in the Honorable Sindh High Court and were granted stay on the basis of the pending constitutional petition from MUFAP in the said court as referred above.

During the current year, the Honorable Sindh High Court, in its judgement dated June 30, 2016, on Constitutional Petition instituted by MUFAP declared that the provisions of Federal Excise Act, 2005, insofar as they relate to providing or rendering of services, are ultra vires to the 18th amendment of the Constitution with effect from July 1, 2011, the date on which Sindh Sales Tax on Services Act, 2011 came into force.

However, the Federal Board of Revenue (FBR) has right to challenge the decision in the Supreme Court of Pakistan within 90 days of the above decision of the Court, and the petition of the Management Company is still pending in the Court; therefore, as a matter of prudence, the Fund has recorded provision for the year amounting to Rs. 1.884 million and maintained the accumulated provision against FED amounting to Rs. 10.657 million as of June 30, 2016.

- 9.4 This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund with effect from November 25, 2015.

	Note	2016 -----Rupees in '000-----	2015
<b>10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration of the trustee	10.1	156	180
Sindh Sales Tax on remuneration of the trustee	10.2	22	-
		<u>178</u>	<u>180</u>

- 10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears. On September 4, 2013, CDC was re-appointed as the new Trustee of the Fund, after MCB-FSL retired on the prior day and the supplemental Trust Deed was signed on July 29, 2013. Based on the Supplemental Trust Deed, the following tariff structure is applicable to the Fund as at June 30, 2016.

Tariff structure applicable to the Fund as at June 30, 2016 is as follows:

Net asset value	Tariff per annum
Upto Rs. 1,000 million	0.17% p.a. of net assets
"On amount exceeding Rs. 1,000 million to Rs. 5,000 million"	Rs. 1.7 million plus 0.085% p.a. of net assets exceeding Rs. 1,000 million
On amount exceeding Rs. 5,000 million	Rs. 5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5,000 million

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**10.2** The Sindh Revenue Board through circular no. SRB-3-4/TP/01/2015/86554 dated June 13, 2015, amended definition of services of shares, securities and derivatives and included the custodianship services within purview of the Sindh Sales Tax. Accordingly Sindh Sales Tax of 14% is applicable on remuneration of the trustee which is now covered under section 27(79A) of the Sindh Sales Tax on Services Act, 2011.

	Note	2016 -----Rupees in '000-----	2015
<b>11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u>1,003</u>	<u>1,110</u>

**11.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an open-end "income scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The Fund has been categorised as an "income scheme" by the Management Company.

	Note	2016 -----Rupees in '000-----	2015
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		479	465
Provision for Workers' Welfare Fund	17	10,079	10,079
Bank charges		37	37
Settlement charges		63	51
Printing charges		125	100
Withholding tax		7,710	2,222
Legal and professional charges		10	125
Payable against redemption of units	12.1	45,560	773,811
Dividend payable		-	33,390
Others		182	1,768
		<u>64,245</u>	<u>822,048</u>

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

## **13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2016 and June 30, 2015 except as disclosed elsewhere in these financial statements.

	2016 -----Number of units-----	2015
<b>14 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	78,630,792	163,990,074
Add: units issued during the year	503,287,581	242,851,538
Less: units redeemed during the year	(467,827,851)	(328,210,820)
Total units in issue at the end of the year	<u>114,090,522</u>	<u>78,630,792</u>

## **15 NET ASSET VALUE PER UNIT**

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

	2016 -----Rupees in '000-----	2015
<b>16 AUDITORS' REMUNERATION</b>		
Annual audit fee	365	365
Half yearly review fee	128	128
Out of pocket expenses	157	168
	<u>650</u>	<u>661</u>



# NAFA RIBA FREE SAVINGS FUND

## 17 PROVISION FOR WORKERS' WELFARE FUND

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 (CISs) / mutual funds 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 Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by the Honourable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

Furthermore, in 2011, the Honourable Lahore High Court in a Constitutional Petition relating to the amendments brought in WWF Ordinance through the Finance Act 2006, and the Finance Act, 2008, declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the Honourable Lahore High Court, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honourable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971, through the Finance Acts of 1996 and 2009 lacked the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence were declared as ultra vires the Constitution.

The Finance Act 2015, incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

However, without prejudice to the above and owing to the fact that the decision of Sindh High Court on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to record and retain provision of WWF in financial statements till June 30, 2015 which aggregates to Rs. 10.079 million. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs. 0.0883 per unit (2015: Rs. 0.1282 per unit).

Further, Sindh Workers Welfare Fund (SWWF) Act 2014 enacted in June 2015 requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on the opinion obtained by MUFAP from its advisor who is of the view that Collective Investment Schemes (CIS) are not financial institutions, believes that SWWF is not applicable on the Fund.

## 18 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2016 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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

## 19 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.



# NAFA RIBA FREE SAVINGS FUND

## 20 TRANSACTIONS WITH CONNECTED PERSONS

- 20.1** Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Alexandra Fund Management Pte. Limited being the sponsor. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company and its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes managed by the Management Company, directors and key management personnel of the Management Company.
- 20.2** The transactions with connected persons are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.
- 20.3** Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 20.4** Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

	2016	2015
	-----Rupees in '000-----	
<b>20.5 Details of transactions with connected persons are as follows:</b>		
<b>NBP Fullerton Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	11,773	18,507
Sindh Sales Tax on remuneration of the Management Company	1,912	3,220
Federal Excise Duty on remuneration of the Management Company	1,884	2,961
Reimbursement of operational expenses to the Management Company	839	-
Sales load	438	858
Redemption of Nil units (2015: 5,023,573 units)	-	51,829
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the trustee	1,974	2,108
Sindh Sales Tax on remuneration of the trustee	276	-
CDS charges	18	25
<b>National Bank of Pakistan (Parent of the Management Company)</b>		
Units redeemed / transferred out Nil units (2015: 48,879,751 units)	-	496,824
Cash distribution during the year	-	33,390
<b>* Export Processing Zone Authority (Unit holder with more than 10% units holding)</b>		
Units issued / transferred in Nil units (2015: 37,386,928 units)	-	390,715
Units redeemed / transferred out Nil units (2015: 21,083,146 units)	-	228,183
<b>Employees of the Management Company</b>		
Units issued / transferred in 1,591,598 units (2015: 892,170 units)	16,548	9,422
Units redeemed / transferred out 1,608,339 units (2015: 1,126,060 units)	16,792	11,881
Cash distribution during the year	30	110

\* Current year transactions with these persons have not been disclosed as they did not remain connected persons during the year

# NAFA RIBA FREE SAVINGS FUND

	2016	2015
<b>20.6 Details of amounts outstanding as at year end with connected persons are as follows:</b>	<b>-----Rupees in '000-----</b>	
<b>NBP Fullerton Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	554	1,622
Sindh Sales Tax on remuneration of the Management Company	91	283
Federal Excise Duty on remuneration of the Management Company	10,657	8,773
Operational expenses	839	-
Sales load	367	410
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the trustee	156	180
Sindh sales tax on remuneration of the trustee	22	-
CDS charges	63	51
Security deposit	200	200
<b>National Bank of Pakistan (Parent of the Management Company)</b>		
Bank Balance	2,582	2,299
Payable against redemption of units	-	496,824
Dividend payable	-	33,390
<b>Summit Bank Limited (Common Directorship with the Management Company)</b>		
Bank balance	2,220	1,614
<b>* Export Processing Zone Authority</b>		
Investment held in the Fund Nil units (2015: 16,303,782 units)	-	165,715
<b>Employees of the Management Company</b>		
Investment held in the Fund 156,668 units (2015: 170,447 units)	1,593	1,732
<b>Net amount receivable / (payable) against transfer of units from / to:</b>		
NAFA Islamic Stock Fund	-	462
NAFA Government Securities Savings Fund	-	347
NAFA Islamic Asset Allocation Fund	(10,465)	18,763
NAFA Government Securities Liquid Fund	-	(9,456)
NAFA Islamic Aggressive Income Fund	(32,875)	(259,455)
NAFA Stock Fund	(842)	(3,577)
NAFA Asset Allocation Fund	-	(925)
NAFA Income Opportunity Fund	-	(1,794)
NAFA Financial Sector Income Fund	154	-
NAFA Money Market Fund	(1,344)	-
NAFA Islamic Active Allocation Plan - III	(34)	-

\* Current year balances with these persons have not been disclosed as they did not remain connected persons as at year end.

## 21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	28
2	Sajjad Anwar	MBA & CFA	16
3	Syed Suleman Akhtar	MBA & CFA	16
4	Muhammad Ali Bhabha	CFA, FRM, MBA & MS(CS)	21

21.1 Mr. Muhammad Ali Bhabha is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

# NAFA RIBA FREE SAVINGS FUND

- NAFA Financial Sector Income Fund
- NAFA Government Securities Liquid Fund
- NAFA Savings Plus Fund
- NAFA Income Fund.
- NAFA Money Market Fund
- NAFA Active Allocation Riba Free Savings Fund

## 22 TRANSACTIONS WITH BROKERS / DEALERS

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

There has been no brokerage expense during the year.

List of brokers by percentage of commission charged during the year ended June 30, 2015.

S.No	Broker name	Percentage
1	J.S. Global Capital Limited	57.09%
2	BMA Capital Management Limited	40.58%
3	Invest Capital Markets Limited	2.33%

## 23 PATTERN OF UNIT HOLDING

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

Category	Number of unit holders	Investment amount	Percentage of investment
(Rupees in '000)			
Individuals	773	613,847	52.91%
Insurance companies	3	64,480	5.56%
Retirement funds	16	163,709	14.11%
Others	16	318,190	27.42%
	808	1,160,226	100.00%

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

Category	Number of unit holders	Investment amount	Percentage of investment
(Rupees in '000)			
Individuals	905	482,191	60.33%
Associated companies and directors	1	165,715	20.73%
Insurance companies	1	16,222	2.03%
Retirement funds	12	108,560	13.58%
Public limited companies	1	183	0.02%
Others	12	26,347	3.30%
	932	799,218	100.00%

## 24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

# NAFA RIBA FREE SAVINGS FUND

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

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

### Financial assets

Balances with banks	1,130,634	-	-	1,130,634
Investments	-	100,790	-	100,790
Mark-up accrued	6,219	-	-	6,219
Deposits and other receivables	354	-	-	354
	<u>1,137,207</u>	<u>100,790</u>	<u>-</u>	<u>1,237,997</u>

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

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

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

### Financial Liabilities

Payable to the Management Company	-	12,508	12,508
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	178	178
Accrued expenses and other liabilities	-	46,456	46,456
Net assets attributable to redeemable units	-	1,160,226	1,160,226
	<u>-</u>	<u>1,219,368</u>	<u>1,219,368</u>

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

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

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

### Financial assets

Balances with banks	1,467,701	-	-	1,467,701
Investments	-	138,011	-	138,011
Mark-up accrued	7,965	-	-	7,965
Deposits and other receivables	19,772	-	-	19,772
	<u>1,495,438</u>	<u>138,011</u>	<u>-</u>	<u>1,633,449</u>

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

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

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

### Financial Liabilities

Payable to the Management Company	-	11,088	11,088
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	180	180
Accrued expenses and other liabilities	-	809,747	809,747
Net assets attributable to redeemable units	-	799,218	799,218
	<u>-</u>	<u>1,620,233</u>	<u>1,620,233</u>

# NAFA RIBA FREE SAVINGS FUND

## 26 FINANCIAL RISK MANAGEMENT

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

### 26.1 Market risk

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

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

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

#### 26.1.1 Currency risk

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

#### 26.1.2 Profit rate risk

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

##### a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds GoP ijara sukuks exposing the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in rental rates of GoP Ijara Sukuks 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 million (2015: Rs 0.376 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

##### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2016, the Fund does not hold any fixed rate instruments that may expose the fund to fair value profit rate risk.

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

# NAFA RIBA FREE SAVINGS FUND

As at June 30, 2016

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

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

## On-balance sheet financial instruments

### Financial assets

Balances with banks	4.50 - 7.90	1,130,634	1,113,352	-	-	17,282
Investments	5.46	100,790	-	100,790	-	-
Mark-up accrued		6,219	-	-	-	6,219
Deposits and other receivables		354	-	-	-	354
		1,237,997	1,113,352	100,790	-	23,855

### Financial liabilities

Payable to the Management Company	12,508	-	-	-	12,508
Payable to the Central Depository Company of Pakistan Limited - Trustee	178	-	-	-	178
Accrued expenses and other liabilities	46,456	-	-	-	46,456
Net assets attributable to redeemable units	1,160,226	-	-	-	1,160,226
	1,219,368	-	-	-	1,219,368
On-balance sheet gap	18,629	1,113,352	100,790	-	(1,195,513)

## Off-balance sheet financial instruments

Off-balance sheet gap	-	-	-	-	-
-----------------------	---	---	---	---	---

As at June 30, 2015

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

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

## On-balance sheet financial instruments

### Financial assets

Balances with banks	4.50 - 8.43	1,467,701	1,443,480	-	-	24,221
Investments	7.84 - 8.34	138,011	113,824	24,187	-	-
Mark-up accrued		7,965	-	-	-	7,965
Deposits and other receivables		19,772	-	-	-	19,772
		1,633,449	1,557,304	24,187	-	51,958

### Financial liabilities

Payable to the Management Company	11,088	-	-	-	11,088
Payable to the Central Depository Company of Pakistan Limited - Trustee	180	-	-	-	180
Accrued expenses and other liabilities	809,747	-	-	-	809,747
Net assets attributable to redeemable units	799,218	-	-	-	799,218
	1,620,233	-	-	-	1,620,233
On-balance sheet gap	13,216	1,557,304	24,187	-	(1,568,275)

## Off-balance sheet financial instruments

Off-balance sheet gap	-	-	-	-	-
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# NAFA RIBA FREE SAVINGS FUND

## 26.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market. Presently, the Fund is not exposed to equity price risk as the Fund does not hold any equity securities as at June 30, 2016.

## 26.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances, profit receivable on bank balances and deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated by a well known rating agency. The risk of default is considered minimal due to inherent systematic measures taken therein. The Fund does not face any credit risk with respect to investment in government securities as these represent the interest of the Government of Pakistan. Therefore, the Fund does not expect to incur material credit losses on its financial assets.

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

Bank balances by rating category	2016
AAA	42.06%
AA+	4.98%
AA	0.36%
AA-	0.54%
A+	8.80%
A-	42.86%
A	0.06%
BBB+	0.34%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2016 is as follows:

	June 30, 2016		June 30, 2015	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
Balances with banks	1,130,634	1,130,634	1,467,701	1,467,701
Investments	100,790	-	138,011	-
Mark-up accrued	6,219	6,025	7,965	4,962
Deposits, prepayments and other receivables	354	354	19,772	19,772
	1,237,997	1,137,013	1,633,449	1,492,435

### Concentration of credit risk

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

## 26.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, 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 damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities that can be readily disposed / profit and loss savings accounts and are considered readily realisable.

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.



# NAFA RIBA FREE SAVINGS FUND

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

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

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

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

## Financial liabilities

Payable to the Management Company	12,508	12,508	-	-
Payable to the Trustee	178	178	-	-
Accrued expenses and other liabilities	46,456	46,456	-	-
Net assets attributable to redeemable units	1,160,226	1,160,226	-	-
	<u>1,219,368</u>	<u>1,219,368</u>	<u>-</u>	<u>-</u>

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

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

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

## Financial liabilities

Payable to the Management Company	11,088	11,088	-	-
Payable to the Trustee	180	180	-	-
Accrued expenses and other liabilities	809,747	809,747	-	-
Net assets attributable to redeemable units	799,218	799,218	-	-
	<u>1,620,233</u>	<u>1,620,233</u>	<u>-</u>	<u>-</u>

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

### Fair value hierarchy:

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

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

Level 1	Level 2	Level 3	Total
---------	---------	---------	-------

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

## ASSETS

### At fair value through profit or loss - held for trading

Government securities - GoP ijarah sukuks	-	100,790	-	100,790
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----- As at June 30, 2015 -----

Level 1	Level 2	Level 3	Total
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----- Rupees in '000 -----

## ASSETS

### At fair value through profit or loss - held for trading

Government securities - GoP ijarah sukuks	-	138,011	-	138,011
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# NAFA RIBA FREE SAVINGS FUND

There were no transfers between Level 1 and 2 during the year.

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

The carrying values of all financial instruments reflected in the financial statements approximate their fair values.

## 28 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 29 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.

## 30 GENERAL

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

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

<u>Statement</u>	<u>Rupees in '000</u>	<u>Reclassified</u>	
Statement of assets and liabilities	19,572	Receivable against issuance of units	Deposits, prepayments and other receivables
Statement of assets and liabilities	773811	Payable against redemption of units	Accrued expenses and other liabilities
Statement of assets and liabilities	33,390	Dividend payable	Accrued expenses and other liabilities

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA RIBA FREE SAVINGS FUND

## PERFORMANCE TABLE

Particulars	for the Period ended June 30, 2016	for the Period ended June 30, 2015	for the Period ended June 30, 2014	for the Period ended June 30,2013	for the Period ended June 30,12	For the period form July 30, 2010 to June 30, 2011
Net assets (Rs. '000')	1,160,226	799,218	1,657,030	3,028,447	872,005	376,778
Net Income (Rs. '000')	18,826	62,036	238,802	101,979	64,420	26,650
Net Asset Value per units (Rs.)	10.1693	10.1642	10.1045	10.0897	10.0738	10.3779
Offer price per unit	10.2365	10.2320	10.1725	10.1401	10.0738	10.3779
Redemption price per unit	10.1693	10.1642	10.1045	10.0897	10.0738	10.3779
Highest offer price per unit (Rs.)	10.2365	10.2320	10.1725	10.1401	10.0738	10.3779
Low est offer price per unit (Rs.)	9.7058	9.5350	9.4357	9.3295	8.8294	9.5264
Highest redemption price per unit (Rs.)	10.1693	10.1642	10.1045	10.0897	10.0738	10.3779
Low est redemption price per unit (Rs.)	9.6397	9.4718	9.3726	9.2831	8.8294	9.5264
Fiscal Year Opening Ex Nav	9.6361	9.4676	9.3719	9.2806	9.0896	9.5264
Total return of the fund	5.53%	7.36%	7.82%	8.72%	10.83%	8.94%
Capital growth	0.05%	0.14%	-0.15%	-0.21%	-0.71%	3.69%
Income distribution as a % of ex nav	5.48%	7.22%	7.97%	8.93%	11.54%	5.25%
Income distribution as a % of par value	5.57%	6.83%	7.47%	8.29%	10.49%	5.00%
<b>Distribution</b>						
Interim distribution per unit	0.5570	0.6831	0.747	0.829	1.0489	0.5000
Final distribution per unit	-	-	-	-	-	0.3000
Distribution dates						
Interim	30-Jun-2016	30-Jun-2015				18-Feb-11 & 19-Apr-11
30-Jul-13			0.0605	0.0826	0.0877	
29-Aug-13			0.0605	0.0816	0.0907	
27-Sep-13			0.0626	0.0756	0.0796	
29-Oct-13			0.0626	0.0705	0.0927	
28-Nov-13			0.0605	0.0705	0.0806	
27-Dec-13			0.0626	0.0685	0.0806	
29-Jan-14			0.0656	0.0705	0.0806	
28-Feb-14			0.0656	0.0604	0.0826	
28-Mar-14			0.0595	0.0604	0.0826	
29-Apr-14			0.0636	0.0604	0.0826	
28-May-14			0.0626	0.0625	0.0826	
26-Jun-14			0.0605	0.0655	0.1260	
Final		-	-	-	-	4-Jul-11
Average annual return (launch date 21-08-2010)						
(Since inception to June 30, 2016)	8.38%					
(Since inception to June 30, 2015)		9%				
(Since inception to June 30, 2014)			9.41%			
(Since inception to June 30, 2013)				9.97%		
(Since inception to June 30, 2012)					10.64%	
(Since inception to June 30, 2011)						10.39%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	78 days	15 days	33 days	31 days	83 days	78 days








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



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NBP Fullerton  
Asset Management Ltd.  
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## Head Office

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

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** NAFA INVEST to 8080

**Fax:** 021-35825335

**Email:** [info@nafafunds.com](mailto:info@nafafunds.com)

**Website:** [www.nafafunds.com](http://www.nafafunds.com)

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