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

NAFA RIBA FREE SAVINGS FUND

ANNUAL REPORT 2015



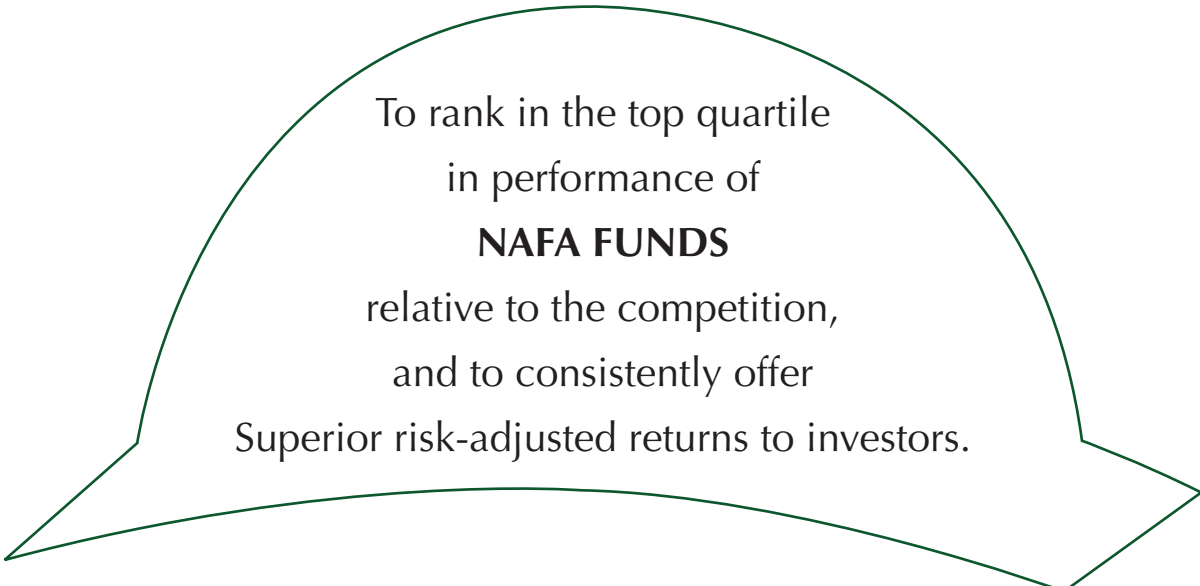
Your investments & "NAFA" grow together



**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 & CFO of the Management Company

Mr. Muhammad Murtaza Ali

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

NAFA RIBA FREE SAVINGS FUND

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

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. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. Zeeshan
Chief - Strategy &
Business Development



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



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



Syed Suleman Akhtar CFA
Head of Research



Mr. Tahir Lateef
Head of Internal Audit



Mr. Ahmad Nouman CFA, PRM
Head of Risk Management



Mr. Asim Wahab Khan, CFA
Head of Equity

NAFA RIBA FREE SAVINGS FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Fifth Annual Report of **NAFA Riba Free Savings Fund** for the year ended June 30, 2015.

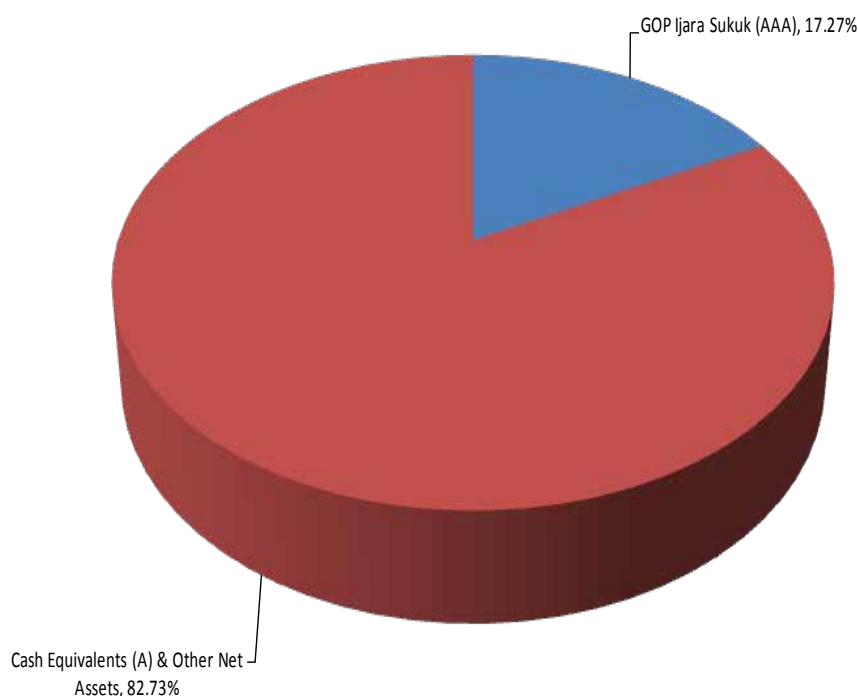
Fund's Performance

The size of NAFA Riba Free Savings Fund has decreased from Rs. 1,657 million to Rs. 799 million during the period, i.e. a decline of 51.77%. During the period, the unit price of the Fund has increased from Rs. 9.4676 (Ex - Div) on June 30, 2014 to Rs. 10.1642 on June 30, 2015, thus posting a return of 7.36% as compared to its Benchmark (Average 6-Month Deposit Rate of A- and above rated Islamic banks) return of 6.73% 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 and corporate sukuks. 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, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange reserves as the key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the short term and long term sovereign bonds declining sharply.

The Fund has earned a total income of Rs.92.74 million during the year. After deducting total expenses of Rs.30.70 million, the net income is Rs.62.04 million. The asset allocation of NAFA Riba Free Savings Fund as on June 30, 2015 is as follows:



NAFA RIBA FREE SAVINGS FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 6.76% of opening ex-NAV (6.83% of the par value) during the year.

Taxation

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

Auditors

The present auditors Messrs A.F. Ferguson & Co. Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs M. Yousuf Adil Saleem & Co., Chartered Accountant, for the year ending June 30, 2016.

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 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 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 21 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 30, 2015
Place: Karachi.

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, 2015 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: October 13, 2015

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Riba Free Savings Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Lahore Stock Exchange.

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 of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2015, 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 meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred on the board on February 17, 2015 which was filled up on the same date.
5. The Management 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.

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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 CEO have been taken by the Board. There is no other executive-director of the Company besides 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. In order to apprise the directors on their duties and responsibilities the Code requires every listed company to conduct formal orientation for directors. As per the Code, by June 30, 2015 a minimum of three directors should have attended director training program. As at year end, three of the directors have attended the director's training program offered by Pakistan Institute of Corporate Governance. Other directors are also conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. There was no new appointment of the Chief Financial Officer (CFO), Company Secretary, or 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 21 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 a non-independent director.

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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 contained in the CCG have been complied with. While the Code of Corporate Governance requires that a mechanism shall be put in place for the annual evaluation of the Board's own performance by April 2014, the Management Company has prepared a framework for this purpose and eventual approval by the Board of Directors of the Management Company will be obtained in forthcoming Board of Directors meeting, subsequent to year end.

For and behalf of the board

Karachi
September 30, 2015

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 fifth Annual report since the launch of the Fund on August 20, 2010. The Fund size decreased by 51.77% during FY15 and stands at Rs 799 million as on June 30, 2015. The Fund has posted a return of 8.98% since its inception versus the benchmark return of 7.40%. During FY15, the Fund posted a return of 7.36% as compared to the benchmark return of 6.73%. This translates into an out-performance of 0.63% p.a. This out-performance 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.

Trading activity in corporate sukuks remained skewed towards the high quality issues. Dearth of primary issuance versus elevated demand kept the yield on the high credit quality corporate bonds depressed. Similarly, yield on the GoP Ijara sukuks further squeezed amid demand outstripping the supply by a large margin.

During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored near-term inflation expectation; and iii) continued increase in foreign exchange as key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the short term and long term sovereign bonds declining sharply. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-15	30-Jun-14
Cash Equivalents & Other Assets	82.73%	77.06%
GOP Ijara Sukuk	17.27%	22.94%
Total	100.00%	100.00%

NAFA RIBA FREE SAVINGS FUND

Distribution for the Financial Year 2015

Interim / Final	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Interim	6.831%	10.8378	10.1547

Unit Holding Pattern of NAFA Riba Free Savings Fund as on 30th June 2015

Size of Unit Holding (Units)	# of Unit Holders
1-1000	208
1001-5000	150
5001-10000	82
10001-50000	258
50001-100000	119
100001-500000	92
500001-1000000	13
1000001-5000000	8
5000001-10000000	1
10000001-100000000	1
	932

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 million. If the same were not made the NAV per unit/ FY 2015 return of scheme would be higher by Rs. 0.1282/1.35%. For details investors are advised to read note 18 of the Financial Statements of the Scheme for the period ended June 30, 2015.

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

Nafa Riba Free Savings Fund has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made for the year ended June 30, 2015. This has been duly confirmed by the Shariah Advisor of the Fund.

Date: September 30, 2015
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA RIBA FREE SAVINGS FUND

Report of the *Shar'iah* Advisor – NAFA Riba Free Savings Fund

Sep 01, 2015/ Ziqad 16, 1436

Alhamdulillah, the period from July 1, 2014 to June 30, 2015 was the fifth 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 the Fund. The scope of the report is to express an opinion on the *Shari'ah* Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of 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 period ended June 30, 2015 are not in compliance with *Shari'ah* principles.

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

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

Bilal Ahmed Qazi
Shar'iah Advisor

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, 2015. Our engagement was carried out as required under clause 5.D.1 of the Trust Deed of the Fund.

Management Company's responsibility

The Management Company of the Fund is responsible for the preparation of the annexed statement (the subject matter) and for compliance with the Shariah principles specified in the Trust Deed. This responsibility includes designing, implementing and maintaining internal control to ensure that the operations of the Fund and its investments and placements have been made in compliance with the Shariah principles.

Responsibility of independent assurance providers

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 and plan and perform the engagement to obtain reasonable assurance whether the annexed statement reflects the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor (criteria).

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah principles. 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 controls. Amongst others, our scope included procedures to:

- Check compliance of specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund.
- Check that the Shariah Advisor has certified that the operations of the Fund, its investments and placements during the year ended June 30, 2015 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended June 30, 2015.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: September 30, 2015

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 NBP Fullerton Asset Management Limited, the Management Company of **NAFA Riba Free Savings Fund** (the Fund) for the year ended June 30, 2015 to comply with the Listing Regulation No.35 (Chapter XI) of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company (**NBP Fullerton Asset Management Limited**) of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance 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'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 the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices 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 Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2015.

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

Paragraph reference	Description
21	No closed period was determined prior to the announcement of interim / final results.
23	The Management Company has not set up a mechanism for the annual evaluation of the Board's own performance.

A.F. Ferguson & Co.
Chartered Accountants
Dated: September 30, 2015
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** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2015, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (NBP Fullerton Asset Management Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management 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 the International Standards on Auditing 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Shahbaz Akbar**
Dated: September 30, 2015
Karachi

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2015

	Note	2015 ------(Rupees in '000)-----	2014
ASSETS			
Balances with banks	4	1,467,701	2,791,207
Investments	5	138,011	380,159
Profit receivable	6	7,965	23,889
Preliminary expenses and floatation costs	7	45	230
Deposits and prepayments	8	350	321
Receivable against issue of units	9	19,572	-
Total assets		1,633,644	3,195,806
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	11,088	7,896
Payable to Central Depository Company of Pakistan Limited - Trustee	11	180	270
Payable to the Securities and Exchange Commission of Pakistan	12	1,110	2,381
Payable against redemption of units	13	773,811	1,517,502
Dividend payable		33,390	-
Accrued expenses and other liabilities	14	14,847	10,727
Total liabilities		834,426	1,538,776
NET ASSETS		799,218	1,657,030
UNITHOLDERS' FUND (AS PER STATEMENT ATTACHED)		799,218	1,657,030
CONTINGENCIES AND COMMITMENTS			
	15	-----Number of units-----	
NUMBER OF UNITS IN ISSUE	20	78,630,792	163,990,074
NET ASSET VALUE PER UNIT	3.10	10.1642	10.1045

The annexed notes 1 to 31 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, 2015

	Note	2015 ------(Rupees in '000)-----	2014
INCOME			
Profit on bank deposits	16	125,028	248,756
Income from investment in GoP Ijara Sukuks		13,655	49,162
Capital loss on sale of investments - net		(1,115)	(439)
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.1	(2,616)	6,816
Total Income		134,952	304,295
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	18,507	39,680
Sindh Sales Tax on Management Company's remuneration	10.2	3,220	7,390
Federal Excise Duty on Management Company's remuneration	10.3	2,961	6,349
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	2,108	3,420
Annual fee - Securities and Exchange Commission of Pakistan	12.1	1,110	2,381
Amortisation of preliminary expenses and floatation costs	7	185	201
Auditors' remuneration	17	661	514
Annual listing fee		40	40
Rating fee		272	221
Printing charges		114	109
Legal & professional charges		125	96
Securities transaction cost		41	30
Bank charges		90	189
Total Expenses		29,434	60,620
Net Income from operating activities		105,518	243,675
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(42,216)	-
Net Income for the year		63,302	243,675
Provision for Workers' Welfare Fund	18	(1,266)	(4,873)
Net Income for the year before taxation		62,036	238,802
Taxation	19	-	-
Net Income for the year after taxation		62,036	238,802
Earnings per unit	3.11		

The annexed notes 1 to 31 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, 2015

	2015	2014
	------(Rupees in '000)-----	
Net Income for the year after taxation	62,036	238,802
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>62,036</u>	<u>238,802</u>

The annexed notes 1 to 31 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, 2015

	2015	2014
	------(Rupees in '000)-----	
Undistributed income at the beginning of the year comprising of:		
Realised income	2,616	6,309
Unrealised income	<u>6,816</u>	<u>698</u>
	9,432	7,007
 Net income for the year after taxation	 62,036	 238,802
Distribution made during the year		
- Nil (Re 0.0605 per unit declared on July 30, 2013)		
- Cash Distribution	-	(9,076)
- Issue of bonus units	-	(10,042)
- Nil (2013: Re 0.0605 per unit declared on August 29, 2013)		
- Cash Distribution	-	(9,076)
- Issue of bonus units	-	(10,468)
- Nil (2013: Re 0.0626 per unit declared on September 27, 2013)		
- Cash Distribution	-	(9,392)
- Issue of bonus units	-	(11,500)
- Nil (2013: Re 0.0626 per unit declared on October 29, 2013)		
- Cash Distribution	-	(9,392)
- Issue of bonus units	-	(11,666)
- Nil (2013: Re 0.0605 per unit declared on November 28, 2013)		
- Cash Distribution	-	(9,076)
- Issue of bonus units	-	(11,011)
- Nil (2013: Re 0.0626 per unit declared on December 27, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	-	(21,282)
- Nil (2014: Re 0.0656 per unit declared on January 29, 2014)		
- Cash Distribution	-	-
- Issue of bonus units	-	(22,217)
- Nil (2014: Re 0.0656 per unit declared on February 28, 2014)		
- Cash Distribution	-	(2)
- Issue of bonus units	-	(19,497)
- Nil (2014: Re 0.0595 per unit declared on March 28, 2014)		
- Cash Distribution	-	-
- Issue of bonus units	-	(16,236)
- Nil (2014: Re 0.0636 per unit declared on April 29, 2014)		
- Cash Distribution	-	-
- Issue of bonus units	-	(18,257)
- Nil (2014: Re 0.0626 per unit declared on May 28, 2014)		
- Cash Distribution	-	-
- Issue of bonus units	-	(16,975)
- Re 0.6831 declared on June 30, 2015 (2014: Re 0.0605 per unit declared on June 26, 2014)		
- Cash Distribution	(59,622)	-
- Issue of bonus units	-	(16,365)
 Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed - net	 2,289	 (4,847)
 Undistributed income carried forward	 <u>14,135</u>	 <u>9,432</u>
Undistributed income at the end of the year comprising of:		
Realised income	16,751	2,616
Unrealised (loss) / income	<u>(2,616)</u>	<u>6,816</u>
	<u>14,135</u>	<u>9,432</u>

The annexed notes 1 to 31 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, 2015

	2015 ------(Rupees in '000)-----`	2014
Net assets at the beginning of the year	1,657,030	3,028,447
Issue of 242,851,538 units (2014: 257,859,172 units including 18,389,450 bonus units)	2,552,162	2,422,408
Redemption of 328,210,820 units (2014: 394,022,915 units)	(3,454,604) (902,442)	(3,986,613) (1,564,205)
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(2,616)	6,816
Capital loss on sale of investments - net	(1,115)	(439)
Other income (net of expenses) for the year	65,767	232,425
	62,036	238,802
Element of loss and capital losses included in the prices of units issued less those in units redeemed -net		
- transferred to income statement	42,216	-
- transferred to distribution statement	(2,289)	4,847
	39,927	4,847
Less: Distributions made during the year		
Interim Distribution	-	185,516
- Nil (Re 0.0605 per unit declared on July 30, 2013)		
- Cash Distribution	-	(9,076)
- Issue of bonus units	-	(10,042)
- Nil (2013: Re 0.0605 per unit declared on August 29, 2013)		
- Cash Distribution	-	(9,076)
- Issue of bonus units	-	(10,468)
- Nil (2013: Re 0.0626 per unit declared on September 27, 2013)		
- Cash Distribution	-	(9,392)
- Issue of bonus units	-	(11,500)
- Nil (2013: Re 0.0626 per unit declared on October 29, 2013)		
- Cash Distribution	-	(9,392)
- Issue of bonus units	-	(11,666)
- Nil (2013: Re 0.0605 per unit declared on November 28, 2013)		
- Cash Distribution	-	(9,076)
- Issue of bonus units	-	(11,011)
- Nil (2013: Re 0.0626 per unit declared on December 27, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	-	(21,282)
- Nil (2014: Re 0.0656 per unit declared on January 29, 2014)		
- Cash Distribution	-	-
- Issue of bonus units	-	(22,217)
- Nil (2014: Re 0.0656 per unit declared on February 28, 2014)		
- Cash Distribution	-	(2)
- Issue of bonus units	-	(19,497)
- Nil (2014: Re 0.0595 per unit declared on March 28, 2014)		
- Cash Distribution	-	-
- Issue of bonus units	-	(16,236)
- Nil (2014: Re 0.0636 per unit declared on April 29, 2014)		
- Cash Distribution	-	-
- Issue of bonus units	-	(18,257)
- Nil (2014: Re 0.0626 per unit declared on May 28, 2014)		
- Cash Distribution	-	-
- Issue of bonus units	-	(16,975)
- Re 0.6831 declared on June 30, 2015 (2014: Re 0.0605 per unit declared on June 26, 2014)		
- Cash Distribution	(59,622)	-
- Issue of bonus units	-	(16,365)
	(59,622)	(231,530)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	2,289	(4,847)
Net assets at the end of the year	<u>799,218</u>	<u>1,657,030</u>

The annexed notes 1 to 31 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, 2015

	Note	2015 ------(Rupees in '000)-----	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year after taxation		62,036	238,802
Adjustments for :			
Profit on bank balances and government securities		(138,683)	(297,918)
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		2,616	(6,816)
Amortisation of preliminary expenses and floatation costs		185	201
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		42,216	-
Provision for Workers' Welfare Fund		1,266	4,873
Federal Excise Duty on remuneration of the Management Company		2,961	6,349
		(89,439)	(293,311)
		(27,403)	(54,509)
Decrease / (increase) in assets			
Investments - net		239,532	391,375
Deposits and prepayments		(29)	(21)
		239,503	391,354
Increase / (decrease) in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		231	(1,492)
Payable to Central Depository Company of Pakistan Limited - Trustee		(90)	138
Payable to Securities and Exchange Commission of Pakistan		(1,271)	1,451
Accrued expenses and other liabilities		2,854	1,366
		1,724	1,463
Profit received on bank balances and government securities		154,607	292,762
Net cash generated from operating activities		368,431	631,070
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		2,506,358	3,935,979
Payments on redemption of units		(4,198,295)	(2,469,311)
Cash Distribution		-	(46,014)
Net cash used in financing activities		(1,691,937)	1,420,654
Net (decrease) / increase in cash and cash equivalents during the year		(1,323,506)	2,051,724
Cash and cash equivalents at the beginning of the year		2,791,207	739,483
Cash and cash equivalents at the end of the year	4	1,467,701	2,791,207

The annexed notes 1 to 31 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 AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Riba Free Savings Fund (NRFSS / the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the 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 under 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 and Notified Entities Regulations 2008. 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 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 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferrable and can be redeemed by surrendering these to the Fund. The Fund is categorised as an Open-End Islamic "Income Scheme" as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).

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 a stability rating of 'A(f)' to the Fund.

Title of the assets of the Fund is held in the name of CDC as 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following amendments to existing standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2014:

- Amendment to IAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have significant effect on the financial statements of the Fund.
- IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions". The interpretation addresses the obligating event that give rise to pay a levy and when a liability should be recognised. The Fund has incorporated the impact of this amendment in the financial statements.

NAFA RIBA FREE SAVINGS FUND

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are, therefore, not detailed in these financial statements.

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

There are certain new and amended standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are therefore not detailed in these financial statements.

Further, the following new standards have been issued by the IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

2.4 Critical accounting estimates and judgments

The preparation of the 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 judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a degree of judgment or complexity, or areas where estimates and assumption are significant to the financial statements relate to classification, impairment and valuation of investments (note 3.2 and 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value.

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances in savings accounts and other deposits with banks having original maturities of three months or less. Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost.

3.2 Financial assets

3.2.1 Classification

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

NAFA RIBA FREE SAVINGS FUND

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. This include held for trading instruments and such other instruments that upon initial recognition are designated under this category.

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 (a) loans and receivables or (b) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

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

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'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

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

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

- Basis of valuation of government securities

The investment of the fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations.

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

Net gains and losses arising from changes in the fair value of available for sale financial assets are taken to the other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the other comprehensive income is shown as part of net income for the year.

b) Loans and receivables

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

Gain or loss is also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets is impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such 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.

For certain other financial assets, 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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

NAFA RIBA FREE SAVINGS FUND

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

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

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

3.4 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.

3.5 Provisions

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

3.6 Taxation

Current

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 amongst the unit holders.

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.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. 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, as per the constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents daily Net Asset Value (NAV) announced as of the close of the dealing day less any back end load, provisions for transaction costs and any provision for duties and charges, if applicable.

NAFA RIBA FREE SAVINGS FUND

3.8 Element of income / (loss) and capital gains / (losses) included in the 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' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element is determined based on the income / (loss) incurred during the year including income / (loss) arising as a result of unrealised appreciation / (diminution) on available for sale securities.

Uptill March 31, 2015, the element so determined was recognised in the distribution statement. From April 1, 2015, the Fund has revised its methodology for the allocation of element. As per the revised methodology, element arising as a result of unrealised appreciation / (diminution) on available for sale securities is recognised in the distribution statement. The remaining portion of the element is recognised in the income statement. The revised methodology in the opinion of the management reflects more appropriate manner for allocation of element.

The revision has been accounted for as a change in accounting estimate in accordance with the requirement of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Had the Fund not revised its methodology, income for the year would have been higher by Rs 41.372 million and amount of element of income taken to distribution statement would have been lower by 42.216 million. Further, the Net Asset Value (NAV) per unit of the Fund as at June 30, 2015 would have been lower by Re 0.0107.

3.9 Proposed distributions

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

3.10 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 circulation at the year end.

3.11 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.

3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which \ transactions take place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.
- Income on GoP Ijara Sukuks and Sukuk certificates is recognised on an accrual basis.

	Note	2015 -----Rupees in '000-----	2014
4 BALANCES WITH BANK			
Profit and loss savings accounts	4.1	1,443,480	1,943,365
Current accounts	4.2	24,221	11,509
Pay orders in hand		-	836,333
		<u>1,467,701</u>	<u>2,791,207</u>

4.1 These accounts carry a rate of return ranging from 4.50% to 8.43% (2014 : 6.00% to 10.20%) per annum.

4.2 They include deposits of Rs 2.299 million (2014: Nil), which are maintained with the National Bank of Pakistan, a related party.

NAFA RIBA FREE SAVINGS FUND

	Note	2015 -----Rupees in '000-----	2014 -----Rupees in '000-----
5 INVESTMENTS			
Financial assets 'at fair value through profit or loss'			
Investment in GoP Ijara Sukuks	5.2	<u>138,011</u>	<u>380,159</u>
		<u>138,011</u>	<u>380,159</u>
5.1 Unrealised (diminution) / appreciation in value of investments classified as 'at fair value through profit or loss' - net			
Market value of investments	5.2	138,011	380,159
Less: Carrying value of investments		(140,627)	(373,343)
		<u>(2,616)</u>	<u>6,816</u>

5.2 Financial assets classified as 'at fair value through profit or loss'

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

Name of Investee Company	Issue Date	Maturity Date	Number of certificates				Market Value as at June 30, 2015	Investment as percentage of	
			As at July 01-2014	Purchases during the period	Sales during the period	As at June 30, 2015		Net assets	Total investments
Rupees in '000'									
GoP Ijara Sukuk IX	Dec 26, 2011	-	1,867	-	1,867	-	-	0.00%	0.00%
GoP Ijara Sukuk X	Mar 02, 2012	Nov 21, 2015	400	-	-	400	40,340	5.05%	29.23%
GoP Ijara Sukuk XI	Apr 30, 2012	Nov 21, 2015	240	-	-	240	24,187	3.03%	17.53%
GoP Ijara Sukuk XII	Jun 28, 2012	-	500	-	500	-	-	0.00%	0.00%
GoP Ijara Sukuk XIII	Sep 18, 2012	Nov 21, 2015	470	-	-	470	47,320	5.92%	34.28%
GoP Ijara Sukuk XIV	Mar 28, 2013	Mar 28, 2016	250	10	-	260	26,164	3.27%	18.96%
							<u>138,011</u>	<u>17.27%</u>	<u>100%</u>

	Note	2015 -----Rupees in '000-----	2014 -----Rupees in '000-----
6 PROFIT RECEIVABLE			
Profit receivable on savings accounts		4,962	19,933
Profit receivable on GoP Ijara Sukuks		3,003	3,956
		<u>7,965</u>	<u>23,889</u>

7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	7.1	230	431
Less: Amortisation during the year		(185)	(201)
Closing balance		<u>45</u>	<u>230</u>

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.

	Note	2015 -----Rupees in '000-----	2014 -----Rupees in '000-----
8 DEPOSITS AND PREPAYMENTS			
Security deposit with Central Depository Company of Pakistan Limited		200	200
Mutual Fund rating fee		150	121
		<u>350</u>	<u>321</u>

9 RECEIVABLE AGAINST ISSUE OF UNITS

This represents receivable against units issued to the unit holders based on their request for transfer of units from other collective investment schemes being managed by the Management Company of the Fund.

NAFA RIBA FREE SAVINGS FUND

	Note	2015 -----Rupees in '000-----	2014
10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	10.1	1,622	513
Sindh sales tax on remuneration of Management Company	10.2	283	96
Federal Excise Duty on remuneration of Management Company	10.3	8,773	5,812
Front end load payable		410	1,475
		<u>11,088</u>	<u>7,896</u>

10.1 Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent per annum of the average annual net assets of the Fund and thereafter of an amount equal to two percent per annum of such assets of the Fund. Management Company has charged its remuneration at the rate of 1.25% (2014: 1.25%) per annum.

10.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 15% (2014: 16%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

10.3 As per the requirements of The Finance Act, 2013 Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013, Management Company is of the view that since the remuneration is already subject to provisional sales tax as explained in note 10.2, further levy of FED may result in double taxation, which does not appear to be in the spirit of the law.

The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a Constitutional Petition filed in the Honourable Sindh High Court (SHC) during September 2013 challenging the levy of FED. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending.

Pending decision of the SHC, the Fund is not making payments for FED from August 1, 2013. However, the Fund, as a matter of abundant caution, has made full provision in respect of FED from August 1, 2013, amounting to Rs 8.773 million (including Rs 2.961 for the current year). Had the charge for the period from June 13, 2013 to June 30, 2015 amounting to Rs 9.466 million not been made the net asset value per unit of the Fund as at June 30, 2015 would have been higher by Re 0.1204 (2014: Re 0.0396) per unit.

	Note	2015 -----Rupees in '000-----	2014
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	11.1	<u>180</u>	<u>270</u>
		<u>180</u>	<u>270</u>

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. During the year 2013-14, MCB Financial Services Limited (MCB-FSL) retired as the Trustee of the Fund, and Central Depository Company of Pakistan Limited (CDC) has been appointed as the Trustee of the Fund, effective from September 4, 2013. Based on the Supplemental Trust Deed, which was signed on July 29, 2013, the following tariff structure is applicable to the Fund as at June 30, 2015.

Amount of funds under management (Average NAV)

Tariff per annum

Upto Rs 1,000 million

0.17% p.a of Net Assets

On amount exceeding Rs 1,001 million to Rs 5,000 million

Rs 1.7 million plus 0.085% per annum of NAV exceeding Rs 1,000 million

On amount exceeding Rs 5,001 million

Rs 5.1 million plus 0.07% per annum of NAV exceeding Rs 5,000 million

	Note	2015 -----Rupees in '000-----	2014
12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	12.1	<u>1,110</u>	<u>2,381</u>

NAFA RIBA FREE SAVINGS FUND

- 12.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as Income Scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the scheme.

13 PAYABLE AGAINST REDEMPTION OF UNITS

This includes Rs 496.824 million which is payable to the National Bank of Pakistan (a related party). It also includes 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 to transfer units from the Fund to the other collective investment schemes.

	Note	2015	2014
		-----Rupees in '000-----	
14 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		465	358
Bank charges		37	1
Provision for Workers' Welfare Fund	18	10,079	8,813
Printing charges		100	125
Legal and professional charges		125	45
Settlement charges payable		51	33
Withholding tax payable		2,222	208
Others		1,768	1,144
		<u>14,847</u>	<u>10,727</u>

15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2015 and June 30, 2014.

		2015	2014
		-----Rupees in '000-----	
16 PROFIT ON BANK DEPOSITS			
Income on profit and loss savings accounts		<u>125,028</u>	<u>248,756</u>
17 AUDITORS' REMUNERATION			
Annual audit fee and other certifications		423	322
Half yearly review fee		153	128
Out of pocket expenses		85	64
		<u>661</u>	<u>514</u>

18 PROVISION FOR WORKERS' WELFARE FUND

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

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

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about the applicability of WWF to the CISs which is still pending before the Court.

In a judgement of May 2014, the Honourable Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution.

NAFA RIBA FREE SAVINGS FUND

Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 10.079 million (including Rs 1.266 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2015 would have been higher by Re 0.1282 per unit (2014: Re 0.0537 per unit).

18.2 The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under WWF Ordinance, 1971. The provision made till June 30, 2015 has not been reversed as the above petition is still pending in the SHC. This amendment is however applicable prospectively i.e. from tax year 2016.

19 TAXATION

The income of the Fund is exempt from income tax as per clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management has already distributed ninety percent of the Fund's net accounting income earned by the year end to the 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.

	2015	2014
	-----Number of units-----	
20 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	163,990,074	300,153,817
Add: units issued during the year	242,851,538	239,469,722
Add: bonus units issued during the year	-	18,389,450
Less: units redeemed during the year	(328,210,820)	(394,022,915)
Total units in issue at the end of the year	<u>78,630,792</u>	<u>163,990,074</u>

21 TRANSACTIONS WITH CONNECTED PERSONS

21.1 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 and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

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

21.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

	June 30, 2015	June 30, 2014
	-----Rupees in '000-----	

21.5 Details of the transactions with connected persons are as follows:

NBP Fullerton Asset Management Limited - Management Company

Remuneration	18,507	39,680
Sindh Sales Tax on Management Company's remuneration	3,220	7,390
Federal Excise Duty on Management Company's remuneration	2,961	6,349
Front end load paid during the period	858	872
Issue of Nil units (2014: Nil units)	-	-
Bonus of Nil units (2014: 357,379 units)	-	-
Redemption of 5,023,573 units (2014: Nil units)	51,829	-

NAFA RIBA FREE SAVINGS FUND

	June 30, 2015	June 30, 2014
-----Rupees in '000-----		
MCB Financial Services Limited - Trustee till September 03, 2013		
Remuneration	-	507
Central Depository Company of Pakistan Limited - Trustee from September 04, 2013		
Remuneration	2,108	2,913
Settlement charges	25	24
Alexandra Fund Management Pte. Limited - Sponsor		
Bonus of Nil units (2014: 210,568 units)	-	-
Redemption of Nil units (2014: 8,751,627 units)	-	88,487
National Bank of Pakistan - Sponsor		
Issue of Nil units (2014: 42,215,676 units)	-	426,353
Bonus of Nil units (2014: 6,664,075 units)	-	-
Redemption of 48,879,751 units (2014: 150,023,408 units)	496,824	1,515,912
Cash distribution during the year	33,390	-
Employees of the Management Company		
Issue of 892,170 units (2014: 1,269,081 units)	9,422	12,836
Bonus of Nil units (2014: 41,192 units)	-	-
Redemption of 1,126,060 units (2014: 1,299,909 units)	11,881	13,153
Cash distribution during the year	110	-
Export Processing Zone Authority - Unitholder with more than 10% unit holding		
Issue of 37,386,928 units (2014: Nil units)	390,715	-
Redemption of 21,083,146 units (2014: Nil units)	228,183	-
Muhammad Murtaza Ali - CFO & Company Secretary		
Issue of Nil units (2014: 13,560 units)	-	137
Bonus of Nil units (2014: 523 units)	-	-
Redemption of Nil units (2014: 14,863 units)	-	150
21.6 Amounts outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management remuneration payable	1,622	513
Sindh Sales Tax payable to Management Company	283	96
FED payable to management company	8,773	5,812
Front end load payable	410	1,475
Units held: Nil (2014: 5,023,573 units)	-	50,761
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	180	270
CDC Settlement charges payable	51	33
Security Deposit	200	200
National Bank of Pakistan - Sponsor		
Units held: Nil units (2014: 48,879,751 units)	-	493,905
Bank balance	2,299	-
Payable against redemption of units	496,824	1,515,912
Dividend payable	33,390	-
Employees of the Management Company		
Units held: 170,447 units (2014: 404,337 units)	1,732	4,086
Export Processing Zone Authority - Unitholder with more than 10% unit holding		
Units held: 16,303,782 (2014: Nil units)	165,715	-
Amount receivable against issue of units from:		
NAFA Islamic Stock Fund	462	-
NAFA Government Securities Savings Fund	347	-
NAFA Islamic Asset Allocation Fund	18,763	-
Amount payable against redemption of units to:		
NAFA Government Securities Liquid Fund	9,456	-
NAFA Islamic Aggressive Income Fund	259,455	-
NAFA Stock Fund	3,577	-
NAFA Asset Allocation Fund	925	-
NAFA Income Opportunity Fund	1,794	-

NAFA RIBA FREE SAVINGS FUND

22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2014-----			
S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	27
2	Mr. Sajjad Anwar	CFA / MBA Finance	15
3	Mr. Muhammad Ali Bhabha	CFA / FRM	20
4	Mr. Syed Suleman Akhtar	CFA	15
5	Mr. Salman Ahmed *	MBA / CFA	9.5

* Mr. Salman Ahmed is the Fund Manager of the Fund. He is also the Fund manager of NAFA Money Market Fund and NAFA Financial Sector Income Fund.

23 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

			For the year ended June 30, 2015 Percentage
1	J.S. Global Capital Limited		57.09%
2	BMA Capital Management Limited		40.58%
3	Invest Capital Markets Limited		2.33%
			<u>100.00%</u>
			For the year ended June 30, 2014 Percentage
1	KASB Securities Limited		56.52%
2	Elixir Securities Pakistan (Private) Limited		43.48%
			<u>100.00%</u>

24 DETAILS OF PATTERN OF UNIT HOLDING

-----June 30, 2015-----			
Category	Number of unit holders	Investment amount	Percentage of investment
(Rupees in '000)			
Individuals*	905	482,191	60.34%
Associated companies and directors	1	165,715	20.73%
Insurance companies	1	16,222	2.03%
Public limited companies	1	183	0.02%
Retirement funds	12	108,560	13.58%
Others	12	26,347	3.30%
		<u>932</u>	<u>100.00%</u>

*This includes investment amount of Rs 1.732 million of related parties / connected persons.

-----June 30, 2014-----			
Category	Number of unit holders	Investment amount	Percentage of investment
(Rupees in '000)			
Individuals*	1,212	780,980	47.13%
Associated companies and directors	2	544,666	32.87%
Retirement funds	11	90,344	5.45%
Others	23	241,040	14.55%
		<u>1,248</u>	<u>100.00%</u>

*This includes investment amount of Rs 4.086 million of related parties / connected persons.

NAFA RIBA FREE SAVINGS FUND

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 48th, 49th, 50th, 51st, 52nd and 53rd Board meetings were held on September 16, 2014, October 30, 2014, February 17, 2015, April 21, 2015, June 29, 2015 and June 30, 2015, 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	3	3	50th, 52nd & 53rd
Mr. Aamir Sattar	6	5	1	51st
Mr. Abdul Hadi Palekar	6	5	1	49th
Mr. Wah Geok Sum*	3	-	3	48th, 49th & 50th
Mr. Koh Boon San	6	4	2	52nd & 53rd
Mr. Nigel Poh Cheng**	2	2	-	-
Mr. Shehryar Faruque	6	5	1	52nd
Mr. Kamal Amir Chinoy	6	4	2	50th, 51st
Dr. Amjad Waheed	6	6	-	-

* Mr. Who Geok Sum retired from the Board with effect from February 17, 2015

** Mr. Nigel Poh Cheng was appointed on the Board with effect from February 17, 2015

26 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

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

Financial assets

Balances with banks	1,467,701	-	1,467,701
Investments	-	138,011	138,011
Profit receivable	7,965	-	7,965
Deposits	200	-	200
Receivable against issue of units	19,572	-	19,572
	<u>1,495,438</u>	<u>138,011</u>	<u>1,633,449</u>

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

Particulars	Liabilities 'at fair value through profit and loss'	Other financial liabilities at amortised cost	Total
-------------	---	---	-------

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

Financial assets

Payable to NBP Fullerton Asset Management Limited - Management Company	-	11,088	11,088
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	180	180
Payable against redemption of units	-	773,811	773,811
Dividend payable	-	33,390	33,390
Accrued expenses and other liabilities	-	2,546	2,546
	<u>-</u>	<u>821,015</u>	<u>821,015</u>

NAFA RIBA FREE SAVINGS FUND

-----June 30, 2014-----

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

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

Financial assets

Balances with banks	2,791,207	-	2,791,207
Investments	-	380,159	380,159
Profit receivable	23,889	-	23,889
Security deposit	200	-	200
	<u>2,815,296</u>	<u>380,159</u>	<u>3,195,455</u>

-----June 30, 2014-----

Particulars	Liabilities 'at fair value through profit and loss'	Other financial liabilities at amortised cost	Total
-------------	---	---	-------

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

Financial assets

Payable to NBP Fullerton Asset Management Limited - Management Company	-	7,896	7,896
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	270	270
Payable against redemption of units	-	1,517,502	1,517,502
Accrued expenses and other liabilities	-	1,706	1,706
	<u>-</u>	<u>1,527,374</u>	<u>1,527,374</u>

27 FINANCIAL RISK MANAGEMENT

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

27.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will 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 investment guidelines approved by the Investment Committee and regulations laid down by the SECP.

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

27.1.1 Currency risk

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

27.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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 0.376 million (2014: Rs 0.403 million).

The composition of the Fund's debt investment portfolio is expected to change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2015 is not necessarily indicative of the impact on the Fund's net assets of the future movements in profit rates.

NAFA RIBA FREE SAVINGS FUND

Presently, the Fund also has balances in profit & loss saving accounts with certain banks the profit rate of which is 4.50% to 8.43%. In case of 100 basis points increase / decrease in profit rate, the net assets of the Fund and net income for the year would have been higher / lower by Rs 14.435 million

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2015, 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 is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

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

	4.50-8.43	1,467,701	1,443,480	-	-	24,221
Balances with banks						
Investments	7.84- 8.34	138,011	113,824	24,187	-	-
Profit receivable		7,965	-	-	-	7,965
Deposits		200	-	-	-	200
Receivable against issue of units		19,572	-	-	-	19,572
		1,633,449	1,557,304	24,187	-	51,958

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		11,088	-	-	-	11,088
Payable to the Central Depository Company of Pakistan Limited - Trustee		180	-	-	-	180
Payable against redemption of units		773,811	-	-	-	773,811
Dividend payable		33,390	-	-	-	33,390
Accrued expenses and other liabilities		2,546	-	-	-	2,546
		821,015	-	-	-	821,015
On-balance sheet gap (a)		812,434	1,557,304	24,187	-	(769,057)

Off-balance sheet financial instruments

Off-balance sheet gap (b)

Total profit rate sensitivity gap (a+b)

Cumulative interest rate sensitivity gap

	-	-	-	-	-
	812,434	1,557,304	24,187	-	(769,057)
		1,557,304	1,581,491	1,581,491	

NAFA RIBA FREE SAVINGS FUND

As at June 30, 2014

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	6.00 - 10.2	2,791,207	1,943,365	-	-	847,842
Investments	9.65 - 9.98	380,159	380,159	-	-	-
Profit receivable		23,889	-	-	-	23,889
Security deposit		200	-	-	-	200
		3,195,455	2,323,524	-	-	871,931

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		7,896	-	-	-	7,896
Payable to the Central Depository Company of Pakistan Limited - Trustee		270	-	-	-	270
Payable against redemption of units		1,517,502	-	-	-	1,517,502
Accrued expenses and other liabilities		1,706	-	-	-	1,706
		1,527,374	-	-	-	1,527,374
On-balance sheet gap (a)		1,668,081	2,323,524	-	-	(655,443)

Off-balance sheet financial instruments

Off-balance sheet gap (b)

		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		1,668,081	2,323,524	-	-	(655,443)

Cumulative interest rate sensitivity gap

2,323,524 2,323,524 2,323,524

27.1.3 Price Risk

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

As at June 30, 2015, the Fund holds GoP Ijara Sukuks which exposes the Fund to price risk. In case of increase / decrease in the average MUFAP rates (being used by the Fund for the valuation of these securities) on June 30, 2015, with all other variables held constant, the fair value of these Sukuks will fluctuate. In case of 100 basis points increase / decrease in the average rates published by MUFAP on June 30, 2015 the net income for the year and the net assets as at June 30, 2015 would have been higher / lower by Rs 1.38 million.

27.1.4 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 balances with banks, receivable against issue of units, profit receivable on balances with banks. 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.

NAFA RIBA FREE SAVINGS FUND

27.1.5 Credit quality of the Fund's balances with banks

Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
UBL Bank Limited	JCR-VIS	AA+	0.18%
AL Baraka Bank Limited	PACRA	A	0.03%
Burj Bank Limited	JCR-VIS	A	48.51%
Bank Alfalah Limited	PACRA	AA	1.28%
Meezan Bank Limited	JCR-VIS	AA	0.15%
Habib Bank Limited	JCR-VIS	AAA	0.21%
Bank Islami Pakistan Limited	PACRA	A	0.11%
MCB Bank Limited	PACRA	AAA	0.11%
Silk Bank Limited	JCR-VIS	A-	48.84%
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A+	0.10%
Sindh Bank Limited*	JCR-VIS	AA	-
Allied Bank Limited	PACRA	AA+	0.00%
Summit Bank Limited	JCR-VIS	A	0.12%
NIB Bank Limited	PACRA	AA-	0.21%
National Bank Limited	JCR-VIS	AAA	0.15%

*Nil value due to rounding off difference

27.1.6 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 is mainly concentrated in government securities and bank balances with commercial banks whereas the remaining transactions are entered into with diverse creditworthy counterparties.

The Fund's major asset balance is held with two banks. The management believes that these are a credit-worthy counterparties.

27.1.7 Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

27.1.8 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.

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.

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.

NAFA RIBA FREE SAVINGS FUND

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

Particulars	Total	Upto three months	Over three months and upto one year	Over one year
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-----Rupees in '000-----

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	11,088	11,088	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	180	180	-	-
Payable on redemption of units	773,811	773,811	-	-
Dividend payable	33,390	33,390	-	-
Accrued expenses and other liabilities	2,546	2,546	-	-
	<u>821,015</u>	<u>821,015</u>	<u>-</u>	<u>-</u>

-----June 30, 2014-----

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

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	7,896	7,896	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	270	270	-	-
Payable on redemption of units	1,517,502	1,517,502	-	-
Accrued expenses and other liabilities	1,706	1,706	-	-
	<u>1,527,374</u>	<u>1,527,374</u>	<u>-</u>	<u>-</u>

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 on the Statement of Movement in Unit Holders' Fund.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

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 27, 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 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from carrying values as the items are either short term in nature or are periodically repriced.

NAFA RIBA FREE SAVINGS FUND

International Financial Reporting Standard 7, 'Financial Instruments : Disclosure' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

----- As at June 30, 2015 -----			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			

ASSETS

Financial assets classified as 'fair value through profit or loss'
Investment in GoP Ijara Sukuks

-	138,011	-	138,011
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----- As at June 30, 2014 -----			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			

ASSETS

Financial assets classified as 'fair value through profit or loss'
Investment in GoP Ijara Sukuks

-	380,159	-	380,159
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30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 30, September 2015.

31 GENERAL

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

31.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant rearrangement or reclassification were made in these financial statements.

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, 2015	for the Period ended June 30, 2014	for the Period ended June 30, 2013	for the Period ended June 30, 2012	For the period form July 30, 2010 to June 30 2011
Net assets (Rs. '000')	799,218	1,657,030	3,028,447	872,005	376,778
Net Income (Rs. '000')	62,036	238,802	101,979	64,420	26,650
Net Asset Value per units (Rs.)	10.1642	10.1045	10.0897	10.0738	10.3779
Offer price per unit	10.2320	10.1725	10.1401	10.0738	10.3779
Redemption price per unit	10.1642	10.1045	10.0897	10.0738	10.3779
Highest offer price per unit (Rs.)	10.2320	10.1725	10.1401	10.0738	10.3779
Low est offer price per unit (Rs.)	9.5350	9.4357	9.3295	8.8294	9.5264
Highest redemption price per unit (Rs.)	10.1642	10.1045	10.0897	10.0738	10.3779
Low est redemption price per unit (Rs.)	9.4718	9.3726	9.2831	8.8294	9.5264
Fiscal Year Opening Ex Nav	9.4676	9.3719	9.2806	9.0896	9.5264
Total return of the fund	7.36%	7.82%	8.72%	10.83%	8.94%
Capital grow th	0.14%	-0.15%	-0.21%	-0.71%	3.69%
Income distribution as a % of ex nav	7.22%	7.97%	8.93%	11.54%	5.25%
Income distribution as a % of par value	6.83%	7.47%	8.29%	10.49%	5.00%
Distribution					
Interim distribution per unit	0.6831	0.747	0.829	1.0489	0.5000
Final distribution per unit	-	-	-	-	0.3000
Distribution dates					
Interim	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, 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	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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