

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

**ANNUAL  
REPORT  
2018**



## MISSION STATEMENT

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

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## FUND'S INFORMATION

### Management Company

**NBP Fund Management Limited - Management Company**

### Board of Directors of the Management Company

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

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

### Strategy & Business Planning Committee

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

Bank Islami Pakistan Limited  
United Bank Limited  
Dubai Islamic Bank Limited  
Allied Bank Limited  
JS Bank Limited  
Habib Bank Limited

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

7th Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 021 (111-111-632),  
(Toll Free): 0800-20002,  
Fax: (021) 35825329  
Website: [www.nbpffunds.com](http://www.nbpffunds.com)

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

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# Board of Directors



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Mudassir Husain Khan  
Chairman



Mr. Kamal Amir Chinoy  
Director



Mr. Humayun Bashir  
Director



Mr. Tariq Jamali  
Director



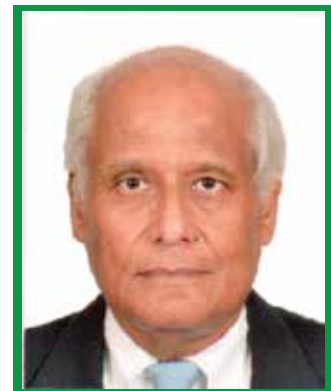
Mr. Shehryar Faruque  
Director



Dr. Foo Chiah Shiung (Kelvin Foo)  
Director



Mr. Abdul Hadi Palekar  
Director



Mr. Wajahat Rasul Khan  
Director

# Senior Management



Mr. Sajjad Anwar, CFA  
Chief Investment Officer



Dr. Amjad Waheed, CFA  
Chief Executive Officer



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



Mr. Khalid Mehmood  
Chief Financial Officer



Mr. Samiuddin Ahmed  
Country Head Corporate  
Marketing



Mr. Ozair Khan  
Chief Technology Officer



Syed Rizwan Aziez  
Country Head Sales Strategy



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



Mr. Taha Khan Javed, CFA  
Head of Equity



Mr. Hassan Raza, CFA  
Head of Research



Syed Ali Azhar Hasani  
Head of Internal Audit



Mr. Salman Ahmed, CFA  
Head of Risk Management



Mr. Zaheer Iqbal - ACA, FPFA  
Head Of Operations



Mr. Raheel Rehman, ACA  
Head of Compliance



Mr. Shahbaz Umer  
Head of Human Resource &  
Administration

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## DIRECTORS' REPORT

This is the Second Annual Report for the period ended June 30, 2018, since launch of **NAFA Islamic Active Allocation Fund-II (NIAAF-II)** on May 26, 2017.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income/Money Market Funds.

NAFA Islamic Active Allocation Fund-II has been constituted in the form of a Trust Scheme that shall invest in following Collective Investment Schemes through five (5) Allocation Plans including NAFA Islamic Active Allocation Plan-VI (NIAAP-VI), NAFA Islamic Active Allocation Plan-VII (NIAAP-VII), NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII), NAFA Islamic Capital Preservation Plan-I (NICPP-I) & NAFA Islamic Capital Preservation Plan-II (NICPP-II).

Islamic Income Fund:	NAFA Active Allocation Riba Free Savings Fund
Islamic Money Market:	NAFA Islamic Money Market Fund
Islamic Equity Fund:	NAFA Islamic Active Allocation Equity Fund

FY2017-18 proved a challenging year for the stock market as the benchmark KMI-30 Index dropped by 9.6%. It was the first negative return for equity investors after eight years. A host of factors can be attributed to this lackluster performance of the stock market. Contrary to the market expectations, continued sell-off by the foreign investors in FY18 despite up-gradation of PSX into a widely followed MSCI Emerging Index from Frontier Market, shook investors' confidence. Adding to investors' angst was elevated uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments of Panama Leaks Case, who was later on barred from politics for lifetime. Sit-in by some religious parties in the federal capital and the uncertainty surrounding the elections also took its toll on the stock market. Much awaited Afghan Policy was unveiled by US President, Mr. Donald Trump, signaling tough stance of the US towards Pakistan also perturbed market participants. On the economic front, Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken that included a measured PKR devaluation, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a Foreign & Domestic Assets Declaration Schemes that fell below expectations.

In terms of sectoral performance, Oil & Gas Exploration, Fertilizer and Commercial Bank sectors out-performed the market during FY18, while Cement, Refinery, Engineering, and Automobile Parts & Accessories sectors lagged behind. Foreign investors remained net sellers with outflows of USD 289 million during the aforesaid period. Among local investors, Insurance and Companies remained major net buyers, taking fresh equity exposure worth USD 204 million and USD 100 million, respectively. Mutual Funds, on the other hand, remained net sellers, off-loading shares worth USD35 million.

During FY 2018, State Bank of Pakistan (SBP) held six (06) bi-monthly monetary policies reviews. During the first half, the SBP maintained the policy rate at 5.75% owing to strong likelihood of continued growth momentum; contained inflation; and anticipations of gain in exports due to improvement in domestic energy supplies and incentives given to exporting industry. However, in the latter half, the SBP increased the policy rate by 75 basis points to 6.5% in response to growing pressures on the external front driven by ballooning Current Account Deficit (CAD), preempt overheating of the economy, and rein in inflationary pressures. Sovereign yields responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bills went up by 79 bps, 90 bps, and 116 bps, respectively.

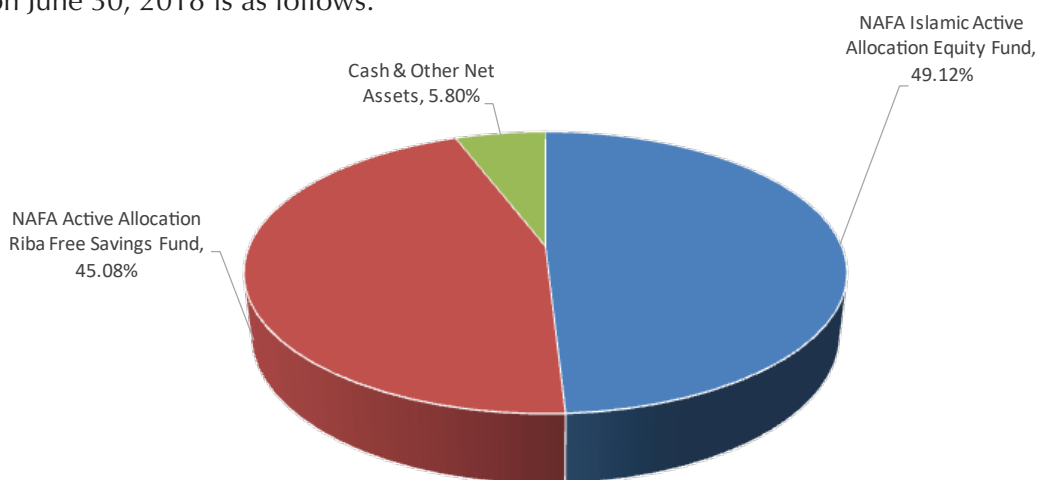
# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## NAFA Islamic Active Allocation Plan-VI (NIAAP-VI)

This is the second annual report for the period ended June 30, 2018, since launch of NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) on May 26, 2017. The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari’ah Compliant Equity Fund and Income Fund.

### Fund's Performance

During the fiscal year, NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) decreased by 7.82% as against the benchmark which decreased by 3.76%, thus, the Fund underperformed the benchmark by 4.06% during the year. Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) has decreased from Rs.100.0000 May 26, 2017 to Rs. 87.0647 on June 30, 2018, thus showing a decrease of 12.94%. The Benchmark return during the same period decreased by 10.94%. Thus, the Fund has underperformed its Benchmark by 2.00% since its inception on May 26, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs. 448 million. The asset allocation of the Fund as on June 30, 2018 is as follows:



### Income Distribution

Due to net loss for the year, no distribution has been made.

### Taxation

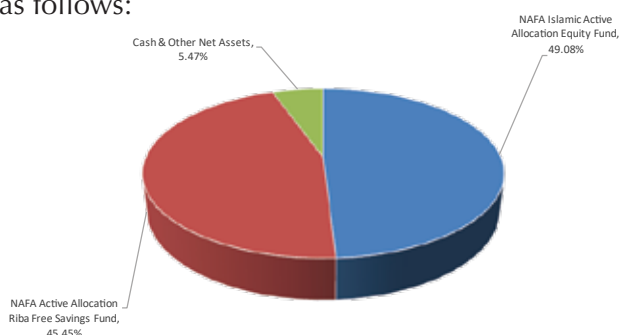
On account of net loss, no provision for taxation was made in the financial statements of the Fund.

## NAFA Islamic Active Allocation Plan-VII (NIAAP-VII)

This is the second annual report for the period ended June 30, 2018, since launch of NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) on June 29, 2017. The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari’ah Compliant Equity Fund and Income Fund.

### Fund's Performance

During the fiscal year, NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) decreased by 6.49% as against the benchmark which decreased by 2.95%, thus, the Fund underperformed the benchmark by 3.54% during the year. Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) has decreased from Rs.100.0000 June 29, 2017 to Rs. 93.4852 on June 30, 2018, thus showing a decrease of 6.51%. The Benchmark return during the same period decreased by 3.53%. Thus, the Fund has underperformed its Benchmark by 2.98% since its inception on June 29, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs. 195 million. The asset allocation of the Fund as on June 30, 2018 is as follows:



# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Income Distribution

Due to net loss for the year, no distribution has been made.

## Taxation

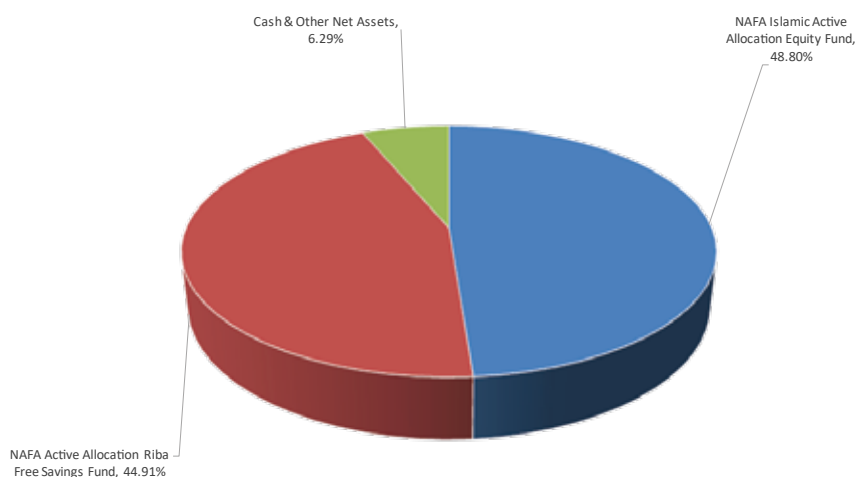
On account of net loss, no provision for taxation was made in the financial statements of the Fund.

### **NAFA Islamic Active Allocation Plan-VII (NIAAP-VIII)**

This is the first annual report for the period ended June 30, 2018, since launch of NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII) on November 03, 2017. The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

### **Fund's Performance**

Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII) has increased from Rs.100.0000 on November 03, 2017 to Rs.100.3081 on June 30, 2018, thus showing an increase of 0.31%. The Benchmark return during the same period increased by 1.61%. Thus, the Fund has underperformed its Benchmark by 1.30% since its inception on November 03, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs.588million. The asset allocation of the Fund as on June 30, 2018 is as follows:



## Income Distribution

Though the Fund has earned net income of Rs.4.9 million for the year ended June 30, 2018, yet after excluding the realized and unrealized capital gain of Rs.5.14 million, the Fund does not have income for distribution for the year ended June 30, 2018. Therefore, no distribution has been made.

## Taxation

The Fund has not recorded provision for taxation as the Fund's income for the year is not subject to taxation after it has been reduced by capital gains (realized or unrealized).

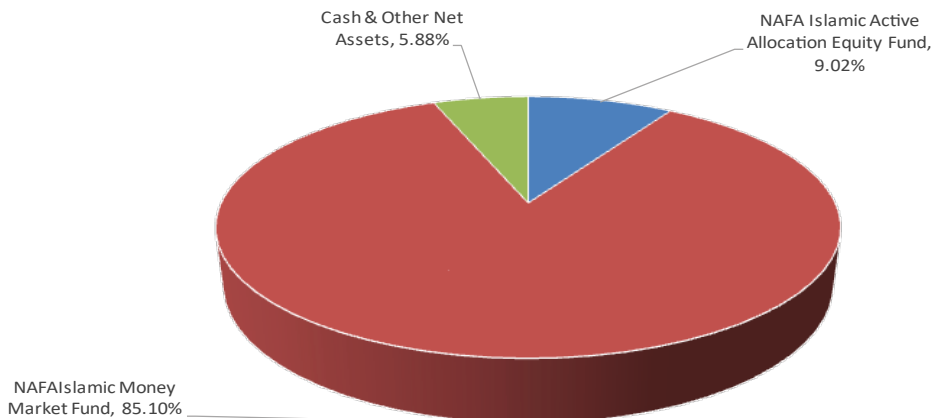
### **NAFA Islamic Capital Preservation Plan-I (NICPP-I)**

This is the first annual report for the period ended June 30, 2018, since launch of NAFA Islamic Capital Preservation Plan-I (NICPP-I) on February 28, 2018. The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

### **Fund's Performance**

Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-I (NICPP I) has increased from Rs.99.6371 (Ex-Div) on February 28, 2018 to Rs. 100.0030 (Ex-Div) on June 30, 2018, thus showing an increase of 0.37%. The Benchmark return during the same period increased by 0.22%. Thus, the Fund has outperformed its Benchmark by 0.15% since its inception on February 28, 2018. This performance is net of management fee and all other expenses. The size of the Fund is Rs 1,762 million. The asset allocation of the Fund as on June 30, 2018 is as follows:

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II



## Income Distribution

The Management Company has approved cash dividend of 0.36% of the opening ex-NAV (0.36% of the par value) subsequent to the year end.

## Taxation

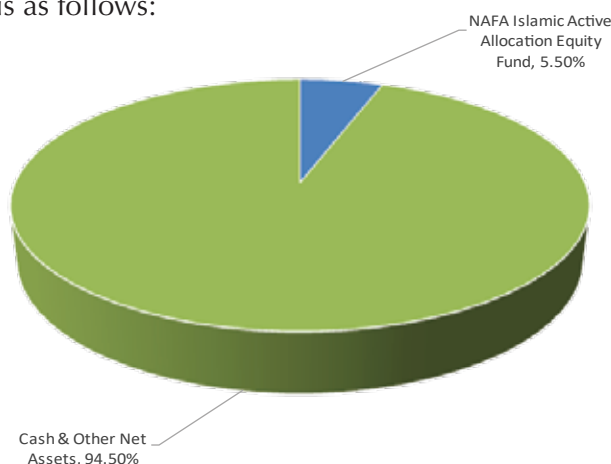
As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

## **NAFA Islamic Capital Preservation Plan-II (NICPP-II)**

This is the first annual report for the period ended June 30, 2018, since launch of NAFA Islamic Capital Preservation Plan-II (NICPP-II) on April 27, 2018. The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

## **Fund's Performance**

Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-II (NICPP II) has increased from Rs.99.4286 (Ex-Div) on April 27, 2018 to Rs. 100.0022 (Ex-Div) on June 30, 2018, thus showing an increase of 0.58%. The Benchmark return during the same period increased by 0.22%. Thus, the Fund has outperformed its Benchmark by 0.38% since its inception on April 27, 2018. This performance is net of management fee and all other expenses. The size of the Fund is Rs.853million. The asset allocation of the Fund as on June 30, 2018 is as follows:



## Income Distribution

The Management Company has approved cash dividend of 0.57% of the opening ex-NAV (0.57% of the par value) subsequent to the year end.

## Taxation

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

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2019.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2018, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed – Chief Executive Officer
Non-Executive Directors	1. Mr. Mudassir Husain Khan (Chairman) 2. Mr. Tariq Jamali 3. Mr. Abdul Hadi Palekar 4. Mr. Wajahat Rasul Khan 5. Dr. FOO Chiah Shiung (Kelvin Foo)

## 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 Fund Management Limited**

Chief Executive  
Date: September 05, 2018  
Place: Karachi.

Director

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## ڈائریکٹرز رپورٹ

NAFA اسلامک ایکٹیو ایلوکیشن فنڈ-II (NIAAF-II) کی 26 مئی 2017 کو اجراء سے اب تک یہ دوسری سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء ہے۔ اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنڈ ایکٹیو فنڈ اور انکم امنی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

NAFA اسلامک ایکٹیو ایلوکیشن فنڈ-II کو ایک ٹرسٹ اسکیم کی شکل میں تیار کیا گیا ہے جو پانچ (5) ایلوکیشنز پلانز کے ذریعے مشترکہ سرمایہ کاری کی اسکیموں میں سرمایہ کاری کرے گا۔ جس میں NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI)، NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII)، NAFA اسلامک ایکٹیو ایلوکیشن پلان-VIII (NIAAP-VIII)، NAFA اسلامک ایکٹیو ایلوکیشن پلان-I (NICPP-I) اور NAFA اسلامک ایکٹیو ایلوکیشن پلان-II (NICPP-II) شامل ہیں۔

☆ اسلامک انکم فنڈ NAFA ایکٹیو ایلوکیشن ریفری سیونگ فنڈ

☆ اسلامک منی مارکیٹ فنڈ NAFA اسلامک منی مارکیٹ فنڈ

☆ اسلامک ایکٹیو ایلوکیشن فنڈ NAFA اسلامک ایکٹیو ایلوکیشن ایکٹیو فنڈ

مالی سال 2017-2018 اسٹاک مارکیٹ کیلئے چیلنج کا سال ثابت ہوا جس میں 30-KMI انڈیکس 9.6% تک گر گیا۔ یہ آٹھ سال کے عرصے میں ایکٹیو سرمایہ کاروں کے منافع میں پہلی کمی تھی۔ اسٹاک مارکیٹ کی اس ناقص کارکردگی کا سبب کئی عوامل تھے۔ مارکیٹ کی توقعات کے برعکس، PSX کی فرنیچر مارکیٹ کے MSCI ایمریکن انڈیکس میں اپ گریڈنگ کے باوجود سرمایہ کاروں کے اعتماد کو دھچکا لگا اور مالی سال 18 میں غیر ملکی سرمایہ کاروں کی جانب سے فروخت کا سلسلہ جاری رہا۔ اس کے علاوہ سرمایہ کاروں کی تشویش میں ملکی سیاست کی بڑھتی ہوئی غیر یقینی کیفیت سے اور اضافہ ہوا جو پانامہ لیکس کیس میں منتخب وزیراعظم کو نا اہل قرار دینے کے تاریخی فیصلے سے پیدا ہوئی اور بعد میں ان کے عمر بھر کیلئے سیاست میں حصہ لینے پر پابندی کا باعث بنی۔ بعض مذہبی جماعتوں کی طرف سے وفاقی دارالحکومت میں دھرنے اور الیکشن کے قریب غیر یقینی کی فضا سے اسٹاک مارکیٹ پر مزید اثر پڑا۔ امریکی صدر مسٹر ڈونلڈ ٹرمپ نے بلاخر کافی عرصہ سے متوقع افغان پالیسی کا اعلان کر دیا جس میں امریکہ کی جانب سے پاکستان پر مزید پابندیاں لگانے کا اشارہ دیا گیا تھا جو مارکیٹ کے شرکاء کے لئے مزید پریشانی کا باعث بنا۔ ادھر معاشی منظر نامہ میں، خام تیل کی بڑھتی ہوئی قیمتیں اور ایل این جی کے ساتھ ساتھ صنعتی خام مال، ٹرانسپورٹ گاڑیوں اور مشینری کی بڑھتی ہوئی درآمدات کی بنا پر کرنٹ اکاؤنٹ کا خسارہ غیر روایتی سطح کی حد تک 18 بلین یو ایس ڈالر تک پہنچ گیا جو مارکیٹ میں تشویش کا بڑا سبب بنا۔ وسیع طلب کے دباؤ کو قابو کرنے کیلئے کئی اقدامات اٹھائے گئے جن میں پاکستانی روپے کی قدر میں کمی پر قابو، غیر ضروری درآمد شدہ اشیاء پر زیادہ اور وسیع حد تک ڈیوٹیز کا نفاذ اور شرح سود میں اضافہ شامل تھا۔ گرتے ہوئے غیر ملکی زرمبادلہ اور دستاویزی معیشت کو سہارا دینے کے لئے حکومت نے غیر ملکی اور ملکی اثاثہ جات ظاہر کرنے کی اسکیمیں متعارف کروائیں جو قابل توقع نتائج نہ دے سکیں۔

مالی سال میں 18 شعبہ جاتی کارکردگی کے لحاظ سے مارکیٹ میں آئل اینڈ گیس ایکسپلوریشن، فریٹلائزر اور کرشل بینک کے شعبہ جات کی کارکردگی بہت عمدہ رہی جب کہ سیمنٹ، ریفائری، انجینئرنگ اور آٹوموبائل پارٹس اور ایسیریز کے شعبہ بہت پیچھے رہے۔ غیر ملکی سرمایہ کاروں کا خالصتاً فروخت کنندہ رہے اور مذکورہ مدت میں 289 بلین یو ایس ڈالر کا سرمایہ ملک سے باہر گیا۔ مقامی سرمایہ کاروں میں انشورنس اور کمپنیز بڑے خریدار رہے اور انہوں نے بالترتیب 204 بلین یو ایس ڈالر اور 100 بلین یو ایس ڈالر کے حصص حاصل کئے۔ دوسری طرف میوچول فنڈز خالص فروخت کنندہ رہے اور 35 بلین یو ایس ڈالر کے حصص فروخت ہوئے۔

مالی سال 2018 کے دوران میں اسٹیٹ بینک آف پاکستان (ایس بی پی) نے منیٹری پالیسی کے چھ (06) مرتبہ دو ماہی جائزے لئے۔ پہلے نصف عرصہ کے دوران، ترقی کی رفتار جاری رہنے کی قوی توقع، افراط زر کی موجودگی، اور ملکی توانائی کی فراہمی میں بہتری اور برآمدات کی صنعت کو دی گئی ترغیبات کے باعث برآمدات میں فروغ کے سلسلے میں پیش رفت کے پیش نظر، ایس بی پی نے 5.75% پالیسی کی شرح کو برقرار رکھا۔ تاہم اگلے نصف عرصہ میں، بیرونی محاذ پر کرنٹ اکاؤنٹ کے خسارے (CAD) میں اضافے کے باعث بڑھتے ہوئے دباؤ، معیشت میں پہلے سے موجود افراط زر اور افراط زر پر قابو کیلئے پانے کے لئے، ایس بی پی نے پالیسی کی شرح میں 75 پیسے پوائنٹ کا اضافہ کر دیا اور پالیسی کی شرح 6.5% ہو گئی۔ پالیسی کی شرح میں اضافہ سے اچھے نتائج برآمد ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ T-Bills کے منافع بالترتیب 79 bps، 90 bps اور 116 bps سے بڑھ گئے۔

## NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI)

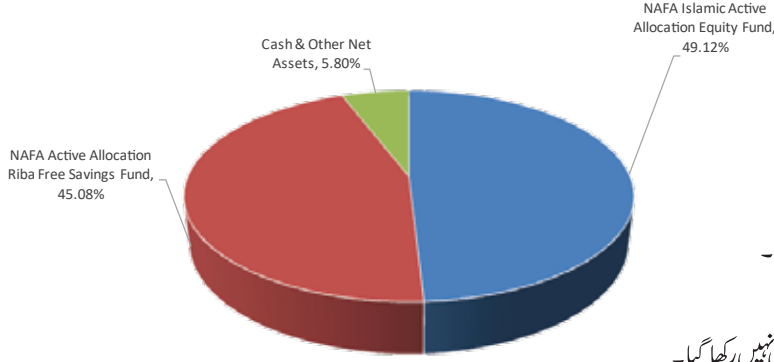
NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI کے اجراء 26 مئی 2017 سے اب تک یہ دوسری سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء ہے۔ اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنڈ ایکٹیو فنڈ اور انکم امنی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

### فنڈ کی کارکردگی

مالی سال کے دوران NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI) کو 3.76% بیچ مارک میں کمی کے مقابلے میں 7.82% کی کمی ہوئی، لہذا فنڈ نے اس سال اپنے بیچ مارک سے 4.06% خراب کارکردگی کا مظاہرہ کیا ہے۔ پلان کے اجراء سے NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI) کے پونٹ کی قیمت 26 مئی 2017 کو 100,000 روپے سے کم ہو کر 30 جون 2018 کو 87,064.7 روپے ہو چکی ہے۔ لہذا 12.94% کی کمی دیکھنے میں آئی۔ اسی مدت کے دوران بیچ مارک منافع کم ہو کر 10.94% ہو گیا۔ لہذا فنڈ نے 26 مئی 2017 کو اپنے قیام کے وقت سے لے کر اب تک اپنے بیچ مارک سے 2.0% ایترا کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا ساٹھ ماہ 448 ملین روپے ہے۔

NAFA اسلامک ایکٹیو ایلوکیشن 30 جون 2018 کو بمطابق ذیل ہے:

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II



## آمدنی کی تقسیم

مذکورہ مالی سال میں فنڈ میں خالص نقصان کے سبب کوئی رقم تقسیم نہیں کی گئی۔

## ٹیکسیشن

خالص نقصان کے سبب فنڈ کے مالیاتی گوشوارے میں ٹیکس کا کوئی پروویژن نہیں رکھا گیا۔

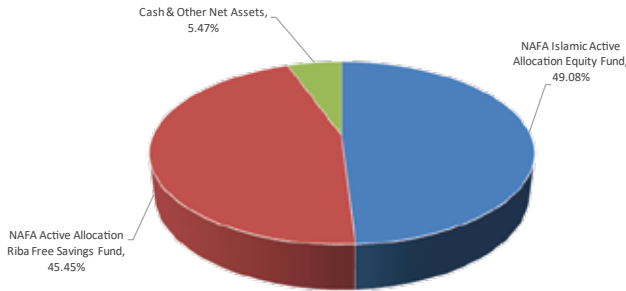
## NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII)

NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII کے اجراء 29 جون 2017 سے اب تک یہ دوسری سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء ہے۔ اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنٹ ایکویٹی فنڈ اور انکم / منی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

## فنڈ کی کارکردگی

مالی سال کے دوران NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII) کو 2.95% بیچ مارک میں کمی کے مقابلے میں 6.49% کی کمی ہوئی، لہذا فنڈ نے اس سال اپنے بیچ مارک سے 3.54% خراب کارکردگی کا مظاہرہ کیا ہے۔ پلان کے اجراء سے NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII) کے پونٹ کی قیمت 29 جون 2017 کو 100.0000 روپے سے کم ہو کر 30 جون 2018 کو 93.4852 روپے ہو چکی ہے۔ لہذا 6.51% کی کمی دیکھنے میں آئی۔ اسی مدت کے دوران بیچ مارک منافع کم ہو کر 3.53% ہو گیا۔ لہذا فنڈ نے 29 جون 2017 کو اپنے قیام کے وقت سے لے کر اب تک اپنے بیچ مارک سے 2.98% اہتر کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 195 ملین روپے ہے۔

NIAAP-VII کی ایسیٹ ایلوکیشن 30 جون 2018 کو بمطابق ذیل ہے:



## آمدنی کی تقسیم

مذکورہ مالی سال میں فنڈ میں خالص نقصان کے سبب کوئی رقم تقسیم نہیں کی گئی۔

## ٹیکسیشن

خالص نقصان کے سبب فنڈ کے مالیاتی گوشوارے میں ٹیکس کا کوئی پروویژن نہیں رکھا گیا۔

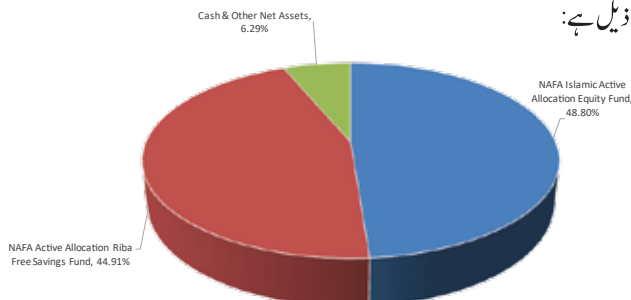
## NAFA اسلامک ایکٹیو ایلوکیشن پلان-VIII (NIAAP-VIII)

NAFA اسلامک ایکٹیو ایلوکیشن پلان-VIII کے اجراء 03 نومبر 2017 سے اب تک یہ پہلی سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء ہے۔ اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنٹ ایکویٹی فنڈ اور انکم / منی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

## فنڈ کی کارکردگی

پلان کے اجراء سے NAFA اسلامک ایکٹیو ایلوکیشن پلان-VIII (NIAAP-VIII) کے پونٹ کی قیمت 03 نومبر 2017 کو 100.0000 روپے سے بڑھ کر 30 جون 2018 کو 103.3081 روپے ہو چکی ہے۔ لہذا 0.31% کا اضافہ دیکھنے میں آیا۔ اسی مدت کے دوران بیچ مارک منافع 1.61% ہو گیا۔ لہذا فنڈ نے 03 نومبر 2017 کو اپنے قیام کے وقت سے لے کر اب تک اپنے بیچ مارک سے 1.30% اہتر کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 588 ملین روپے ہے۔

NIAAP-VIII کی ایسیٹ ایلوکیشن 30 جون 2018 کو بمطابق ذیل ہے:



# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## آمدنی کی تقسیم

حالاتہ فنڈ نے 30 جون 2018 کو اختتام پانے والے سال کے لیے 4.9 ملین روپے کی مجموعی آمدنی کمائی، تا حال 5.14 ملین روپے کے محصول شدہ اور غیر محصول شدہ کیپٹل گین کو منہا کرنے کے بعد فنڈ کے پاس 30 جون 2018 کو ختم ہونے والے سال کے لیے تقسیم کے لیے آمدنی موجود رہی۔ لہذا کوئی تقسیم نہیں کی گئی۔

## ٹیکسیشن

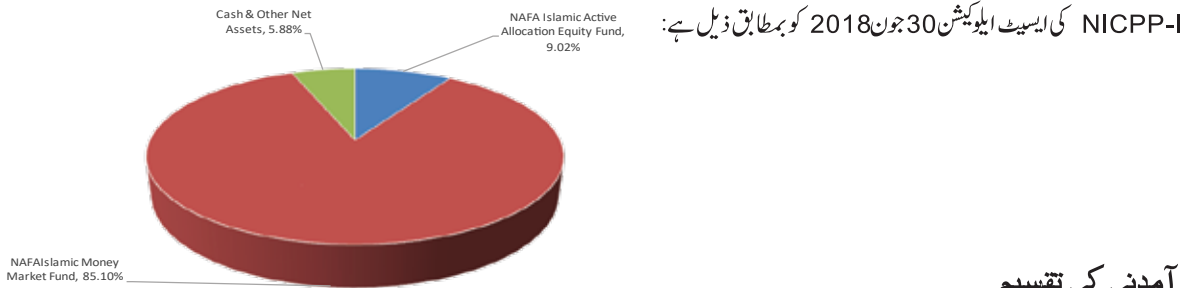
فنڈ نے ٹیکس کے پروویژن کو درج نہیں کیا، جبکہ اس سال کے لیے کیپٹل گین (محصول شدہ اور غیر محصول شدہ) سے فنڈ کی آمدنی کم ہونے کے بعد فنڈ کی آمدنی پر اس سال ٹیکس لاگو نہیں ہوا۔

## NAFA اسلامک کیپیٹل پریزرویشن پلان I (NICPP-I)

NAFA اسلامک کیپیٹل پریزرویشن پلان I (NICPP-I) کے اجراء 28 فروری 2018 سے اب تک یہ پہلی سالانہ رپورٹ برائے سال مختتمہ 30 جون 2018ء ہے۔ اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنٹ ایکویٹی فنڈ اور انکم امنی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

## فنڈ کی کارکردگی

پلان کے اجراء سے NAFA اسلامک کیپیٹل پریزرویشن پلان I (NICPP-I) کے یونٹ کی قیمت 28 فروری 2018 کو 99.6371 روپے سے بڑھ کر 30 جون 2018 کو 100.0030 روپے ہو چکی ہے۔ لہذا 0.37% کا اضافہ دیکھنے میں آیا۔ اسی مدت کے دوران بیچ مارک منافع بڑھ کر 0.22% ہو گیا۔ لہذا فنڈ نے 28 فروری 2018 کو اپنے قیام کے وقت سے لے کر اب تک اپنے بیچ مارک سے 0.15% بہتر کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجھٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 1,762 ملین روپے ہے۔



## آمدنی کی تقسیم

منجھٹ کمپنی نے سال کے اختتام کے بعد اوپننگ ex-NAV کا 0.36% (بنیادی قدر کا 0.36%) فنڈ ڈیویڈنڈ کی منظوری دی ہے۔

## ٹیکسیشن

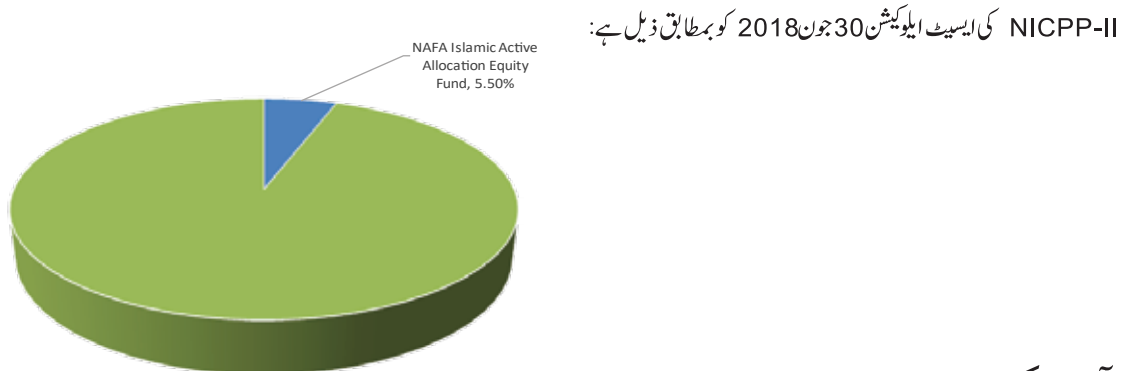
درج بالا فنڈ منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سینڈ شیڈول کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

## NAFA اسلامک کیپیٹل پریزرویشن پلان II (NICPP-II)

NAFA اسلامک کیپیٹل پریزرویشن پلان II (NICPP-II) کے اجراء 27 اپریل 2018 سے اب تک یہ پہلی سالانہ رپورٹ برائے سال مختتمہ 30 جون 2018ء ہے۔ اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنٹ ایکویٹی فنڈ اور انکم امنی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

## فنڈ کی کارکردگی

پلان کے اجراء سے NAFA اسلامک کیپیٹل پریزرویشن پلان II (NICPP-II) کے یونٹ کی قیمت 27 اپریل 2018 کو 99.4286 روپے سے بڑھ کر 30 جون 2018 کو 100.0022 روپے ہو چکی ہے۔ لہذا 0.58% کا اضافہ دیکھنے میں آیا۔ اسی مدت کے دوران بیچ مارک منافع بڑھ کر 0.22% ہو گیا۔ لہذا فنڈ نے 27 اپریل 2018 کو اپنے قیام کے وقت سے لے کر اب تک اپنے بیچ مارک سے 0.38% بہتر کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجھٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 853 ملین روپے ہے۔



## آمدنی کی تقسیم

منجھٹ کمپنی نے سال کے اختتام کے بعد اوپننگ ex-NAV کا 0.57% (بنیادی قدر کا 0.57%) فنڈ ڈیویڈنڈ کی منظوری دی ہے۔

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## ٹیکسیشن

درج بالا نقد منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پراکٹیکل آرڈیننس 2001 کے سینڈ شیڈول کے پارٹ 1 کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2019 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

## کوڈ آف کارپوریٹ گورنرنس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجھٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- انٹرنل کنٹرول نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادا نیکیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجھٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پٹرن مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز CFO/CEO، کمپنی سیکریٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔
- 13- کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی مائٹنٹی انٹرسٹ نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

نام	کینگری
1- جناب کمال عامر چنائے 2- جناب شہریار فاروق 3- جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹرز
1- جناب مدرثر حسین خان (چیرمین) 2- جناب طارق جمالی 3- جناب عبدالہادی پالیگر 4- جناب وجاہت رسول خان 5- ڈاکٹر فوشیہ شیونگ (کیلون فو)	نان ایگزیکٹو ڈائریکٹرز

## اعتراف

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجھٹ لمیٹڈ

ڈائریکٹرز

چیف ایگزیکٹو

بتاریخ

05 ستمبر 2018ء

مقام: کراچی

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Active Allocation Fund-II (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 13, 2018

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## FUND MANAGER REPORT

NAFA Islamic Asset Allocation Fund -II (NIAAF-II) is an Open-ended Shariah Compliant Fund of Funds.

### Investment Objective of the Fund

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income/Money Market Funds.

NAFA Islamic Active Allocation Fund-II has been constituted in the form of a Trust Scheme that shall invest in following Collective Investment Schemes through five (5) Allocation Plans including NAFA Islamic Active Allocation Plan-VI (NIAAP-VI), NAFA Islamic Active Allocation Plan-VII (NIAAP-VII), NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII), NAFA Islamic Capital Preservation Plan-I (NICPP I) & NAFA Islamic Capital Preservation Plan-II (NICPP II).

Islamic Income: NAFA Active Allocation Riba Free Savings Fund  
Islamic Money Market: NAFA Islamic Money Market Fund  
Islamic Equity: NAFA Islamic Active Allocation Equity Fund

### Fund performance review

Plans	Launch Date	Fund Size (Million)	Cumulative Performance Since Inception	
			Plan Return	Benchmark* Return
NIAAP-VI	26-May-17	448	-12.94%	-10.94%
NIAAP-VII	29-June-17	195	-6.51%	-3.53%
NIAAP-VIII	03-Nov-17	588	0.31%	1.61%
NICPP-I	28-Feb-18	1,763	0.37%	0.22%
NICPP-II	27-Apr-18	853	0.58%	0.22%

FY2017-18 turned out to be a challenging year for the stock market with first negative return since 2009, as the benchmark KMI-30 Index dropped by 9.6% on a yearly basis. This lackluster performance, in sharp contrast to FY2010-17 period, in which market surged at a CAGR of 28.4%, is attributable to a host of factors. The upgrade of Pakistan's market to a widely followed MSCI Emerging Index from Frontier Market status failed to live up to expectations and unabated sell-off by the foreign investors during the year shook investors' confidence. Amplified uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments surrounding Panama Leaks Case, who was later on barred from politics for lifetime also unnerved the investors. Sit-in by some religious parties in the federal capital and uncertainty surrounding the elections also took its toll on the stock market. Market participants were also perturbed by the US Policy toward Afghanistan, signaling challenges for Pakistan.

On the economic front, twin deficits remained a challenge for the government. Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken of late that included exchange rate adjustment, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a much awaited Foreign & Domestic Assets Declaration Schemes that however, failed to live up to the expectations.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

The primary market for Corporate Sukuks remained under-supplied against the large and growing demand. In the secondary market, the trading activity in the Corporate Sukuks remained skewed towards high quality debt issues with cumulative trade value of Rs. 9.6 billion in FY18 compared to Rs. 2.7 billion during the last year. However, the scarcity of primary issuance versus elevated demand squeezed the spread and kept the yields on the high credit quality corporate bonds depressed. During the first half of FY18, the SBP maintained the policy rate at 5.75% owing to strong likelihood of continued growth momentum; contained inflation; and anticipation of gain in exports due to improvement in domestic energy supplies and incentives given to exports industry. However, in the latter half, in response to growing pressures on the external front driven by ballooning Current Account Deficit (CAD) and rein in inflationary pressures, the SBP cumulatively increased the policy rate by 75 basis points from 5.75% to 6.5%. Sovereign yields responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bills yields went up by 79 bps, 90 bps, and 116 bps, respectively. All Sukuks in the Fund are floating rate linked to KIBOR with three to 6-month coupon resetting period.

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

Plans	Asset Allocation of Plans		
	NAFA Islamic Active Allocation Funds		Cash & Other Net Assets/Liabilities
	Equity	Riba Free Savings/NAFA Islamic Money Market Fund	
NIAAP-VI	49.12%	45.08%	5.80%
NIAAP-VII	49.08%	45.45%	5.47%
NIAAP-VIII	48.80%	44.91%	6.29%
NICPP-I	9.02%	85.10%	5.88%
NICPP-II	5.50%	-	94.50%

## NAFA Islamic Active Allocation Plan - VI

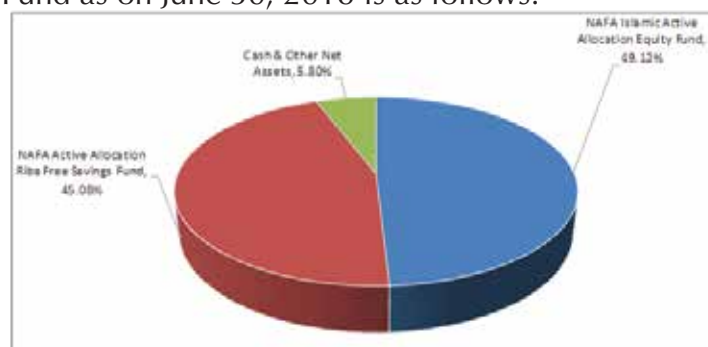
NAFA launched its NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) in May, 2017 which is the sixth plan under NAFA Islamic Active Allocation Fund-II. The Active Allocation Plan will be dynamically managed between dedicated equity and Income schemes managed by NAFA based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NIAAP-VI has an initial maturity of two years.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shariah Compliant Equity Fund and Income Fund.

## Fund's Performance

During the fiscal year, NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) decreased by 7.82% as against the benchmark which decreased by 3.76%, thus, the Fund underperformed the benchmark by 4.06% during the year. Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) has decreased from Rs.100.0000 May 26, 2017 to Rs. 87.0647 on June 30, 2018, thus showing a decrease of 12.94%. The Benchmark return during the same period decreased by 10.94%. Thus, the Fund has underperformed its Benchmark by 2.00% since its inception on May 27, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs. 448 million.

The asset allocation of the Fund as on June 30, 2018 is as follows:



# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Distribution for the Financial Year 2018

Due to net loss for the year, no distribution has been made.

## Unit Holding Pattern of NAFA Islamic Active Allocation Plan –VI as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	49
1001-5000	121
5001-10000	52
10001-50000	50
50001-100000	9
100001-500000	12
	<b>293</b>

## During the period under question:

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

## Sindh Workers' Welfare Funds (SWWF)

Due to net loss for the year, no provision in respect of Sindh Worker's Welfare Fund has been made.

## NAFA Islamic Active Allocation Plan -VII

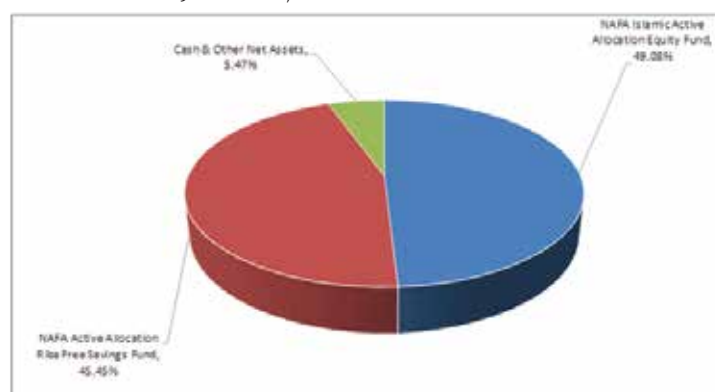
NAFA launched its NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) in June 2017 which is the seventh plan under NAFA Islamic Active Allocation Fund-II. The Active Allocation Plan will be dynamically managed between dedicated equity and Income schemes managed by NAFA based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NIAAP-VII has an initial maturity of two years.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

## Fund's Performance

During the fiscal year, NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) decreased by 6.49% as against the benchmark which decreased by 2.95%, thus, the Fund underperformed the benchmark by 3.54% during the year. Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) has decreased from Rs.100.0000 June 29, 2017 to Rs. 93.4852 on June 30, 2018, thus showing a decrease of 6.51%. The Benchmark return during the same period decreased by 3.53%. Thus, the Fund has underperformed its Benchmark by 2.98% since its inception on January 12, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs. 195 million

The asset allocation of the Fund as on June 30, 2018 is as follows:



# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Distribution for the Financial Year 2018

Due to net loss for the year, no distribution has been made.

## Unit Holding Pattern of NAFA Islamic Active Allocation Plan –VII as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	27
1001-5000	44
5001-10000	30
10001-50000	31
50001-100000	5
100001-500000	2
	<b>139</b>

## During the period under question:

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

## Sindh Workers' Welfare Funds (SWWF)

Due to net loss for the year, no provision in respect of Sindh Worker's Welfare Fund has been made.

## NAFA Islamic Active Allocation Plan -VIII

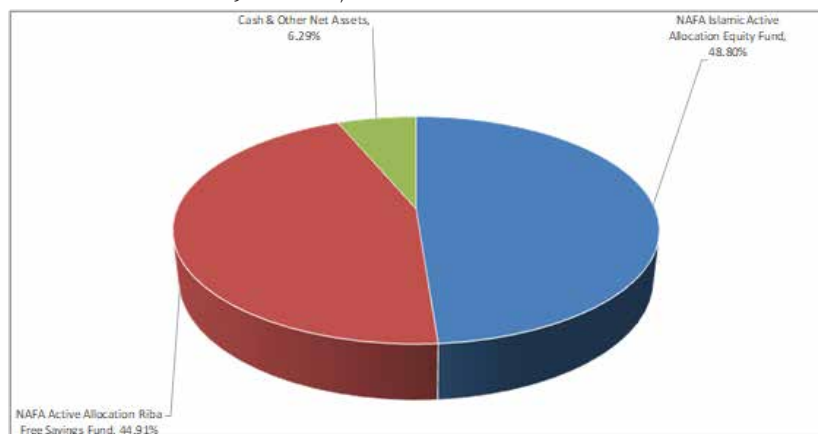
NAFA launched its NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII) in November 2017 which is the eight plan under NAFA Islamic Active Allocation Fund-II. The Active Allocation Plan will be dynamically managed between dedicated equity and Income schemes managed by NAFA based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NIAAP-VIII has an initial maturity of two years.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

## Fund's Performance

Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII) has increased from Rs.100.0000 on November 03, 2017 to Rs.100.3081 on June 30, 2018, thus showing a increase of 0.31%. The Benchmark return during the same period increased by 1.61%. Thus, the Fund has underperformed its Benchmark by 1.30% since its inception on November 03, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs.588 million.

The asset allocation of the Fund as on June 30, 2018 is as follows:



# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Distribution for the Financial Year 2018

Though the Fund has earned net income of Rs.4.9 million for the year ended June 30, 2018, yet after excluding the realized and unrealized capital gain of Rs.5.14 million, the Fund does not have income for distribution for the year ended June 30, 2018. Therefore, no distribution has been made.

## Unit Holding Pattern of NAFA Islamic Active Allocation Plan –VIII as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	180
1001-5000	208
5001-10000	103
10001-50000	75
50001-100000	8
100001-500000	6
500001-1000000	1
	581

## During the period under question:

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

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 0.101 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.0172/0.02%. For details investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2018.

## NAFA Islamic Capital Preservation Plan-I (NICPP I)

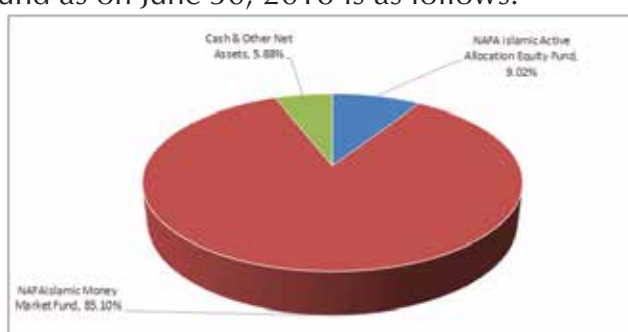
NAFA launched its NAFA Islamic Capital Preservation Plan-I (NICPP I) in February 2018 which is the ninth plan under NAFA Islamic Active Allocation Fund-II. The Active Allocation Plan will be dynamically managed between dedicated equity & Money Market schemes managed by NAFA based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NICPP-I has an initial maturity of two years.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shariah Compliant Equity Fund and Money Market Fund.

## Fund's Performance

Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-I (NICPP I) has increased from Rs.99.6371 (Ex-Div) on February 28, 2018 to Rs.100.0030 (Ex-Div) on June 30, 2018, thus showing an increase of 0.37%. The Benchmark return during the same period increased by 0.22%. Thus, the Fund has outperformed its Benchmark by 0.15% since its inception on February 28, 2018. This performance is net of management fee and all other expenses. The size of the Fund is Rs 1,762 million.

The asset allocation of the Fund as on June 30, 2018 is as follows:



# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Distribution for the Financial Year 2018

Interim Period/Quarter	Dividend as % of Par Value (Rs.100)	Cumulative Div. Price/Unit	Ex- Div. Price
Final	0.36 %	0.3642	100.0030

## Unit Holding Pattern of NAFA Islamic Capital Preservation Plan-I as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	229
1001-5000	389
5001-10000	207
10001-50000	212
50001-100000	24
100001-500000	20
500001-1000000	2
1000001-5000000	1
	1084

### During the period under question:

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

### Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 0.165 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.0094/0.01% for details investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2018.

### NAFA Islamic Capital Preservation Plan-II (NICPP II)

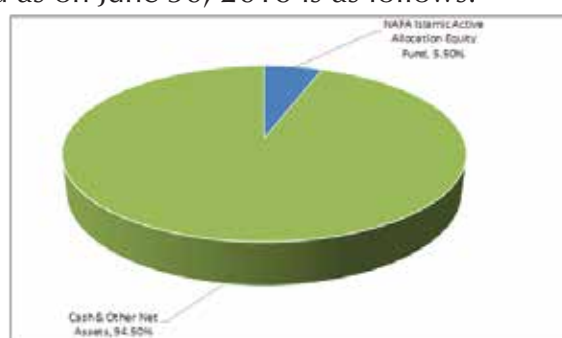
NAFA launched its NAFA Islamic Capital Preservation Plan-II (NICPP II) in April 2018 which is the tenth plan under NAFA Islamic Active Allocation Fund-II. The Active Allocation Plan will be dynamically managed between dedicated equity & Money Market schemes managed by NAFA based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NICPP-II has an initial maturity of two years.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shariah Compliant Equity Fund and Money Market Fund.

### Fund's Performance

Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-II (NICPP II) has increased from Rs.99.4286 (Ex-Div) on April 27, 2018 to Rs.100.0022 (Ex-Div) on June 30, 2018, thus showing an increase of 0.58%. The Benchmark return during the same period increased by 0.22%. Thus, the Fund has outperformed its Benchmark by 0.38% since its inception on April 28, 2018. This performance is net of management fee and all other expenses. The size of the Fund is Rs.853million.

The asset allocation of the Fund as on June 30, 2018 is as follows:



# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Distribution for the Financial Year 2018

Interim Period/Quarter	Dividend as % of Par Value (Rs.100)	Cumulative Div. Price/Unit	Ex- Div. Price
Final	0.57 %	0.5747	100.0022

## Unit Holding Pattern of NAFA Islamic Capital Preservation Plan-II as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	262
1001-5000	387
5001-10000	191
10001-50000	178
50001-100000	19
100001-500000	3
	1040

### During the period under question:

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

### Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 0.105 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.0124/0.01%.for details investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2018.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Active Allocation Fund-II (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 05, 2018  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Report of the Shari'ah Supervisory Board

September 04, 2018/ Dhu Al-Hijjah 23, 1439

**Alhamdulillah**, it was the second year of the operations of NAFA Islamic Active Allocation Fund-II (NIAAF-II). Under this fund, NBP Funds launched its NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) on May 26, 2017, NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) on June 29, 2017, NAFA Islamic Active Allocation Plan-VIII (NIAAP-VIII) on November 04, 2017, NAFA Islamic Capital Preservation Plan-I (NICPP-I) on February 28, 2018 and NAFA Islamic Capital Preservation Plan-II (NICPP-II) on April 27, 2018. This report is being issued in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NIAAF-II in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NIAAF-II by NBP Funds 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 NIAAF-II for the year ended June 30, 2018 are not in compliance with Shari'ah principles.

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

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

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**Mufti Muhammad Naveed Alam**  
*Member*  
*Shariah Supervisory Board*

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**Mufti Ehsan Waquar**  
*Shariah Advisor & Member*  
*Shariah Supervisory Board*

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**Dr. Imran Ashraf Usmani**  
*Chairman*  
*Shariah Supervisory Board*

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## INDEPENDENT REASONABLE ASSURANCE REPORT TO THE PARTICIPANT'S HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We were engaged by the Board of Directors of NBP Fund Management Limited, Management Company of NAFA Islamic Active Allocation Fund - II (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2018, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

### Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended 30 June 2018.

### Responsibilities of the Management Company

The management company of the Fund is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. The management company is also responsible to ensure that the financial arrangements and transactions having Shariah implications entered into by the Fund in substance and in their legal form are in compliance with the Shariah principles specified in the Trust Deed and guidelines issued by the Shariah Advisor.

### Our Independence and Quality Control

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

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our responsibilities

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

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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

The procedures performed included performing tests of controls for making investments and maintaining bank accounts in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

## **Conclusion**

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

In our opinion, the annexed statement, for the year ended 30 June 2018, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

**Date: 05 September 2018**

**Karachi**

**KPMG Taseer Hadi & Co.  
Chartered Accountants**

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the NAFA Islamic Active Allocation Fund - II ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. #	Key audit matters	How the matters was addressed in our audit
1	<b>Valuation of Investments</b>	
	<p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>The Fund's investment portfolio comprise of mutual funds of Rs. 2,864 million classified as fair value through profit or loss at 30 June 2018.</p> <p>We identified the valuation of investments as key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"><li>• obtaining an understanding of and testing the design and operating effectiveness of controls designed to ensure for the valuation of investments; and</li><li>• assessing whether investments were valued at fair value based on the quoted market price of the year end at the Mutual Fund Association of Pakistan.</li></ul>
2.	<b>Amendments to the NBFC Regulations, 2008</b>	
	<p>Refer to note 4 to the accompanying financial statements with respect to element of income.</p>	<p>Our audit procedures in respect of change in accounting polices due to amendments in NBFC Regulations 2008 included the following:</p>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

2.	<b>Amendments to the NBFC Regulations, 2008</b>	
	<p>The amendments to NBFC Regulations, 2008 brought through SRO 756(I)/2017 dated 03 August 2017 issued by Securities and Exchange Commission of Pakistan (SECP) and methodology specified by MUFAP duly consented by SECP, have necessitated changes in accounting policies with respect to recording of element of income / loss on net basis from income statement to unit holders' fund directly and consideration of Income already paid on units redeemed as dividend. The said SRO also required certain presentation changes. The Fund has applied these changes with effect from 1 July 2017.</p> <p>We identified the said changes as a key audit matter because application of these changes involved complex calculations and judgment in respect of determination of income already paid on units redeemed (element of income as dividend), distribution and refund of capital (element of income) to conform with methodology specified by MUFAP for such calculations.</p>	<ul style="list-style-type: none"> <li>• Obtaining an understanding of requirements of amendments to NBFC Regulations, 2008 and methodology specified by MUFAP duly consented by SECP for estimation of income already paid on units redeemed (element of income as dividend), distribution and refund of capital (element of income).</li> <li>• Testing, on sample basis, that income already paid on units redeemed (element of income as dividend), distribution and refund of capital (element of income) have been determined as per methodology specified by MUFAP in the consultation of SECP; and</li> <li>• Assessing the adequacy of disclosures made with respect to change in accounting policies and the requirements of NBFC Regulations, 2008.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2018, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nadeem.

**Date: 05 September 2018**

**Karachi**

**KPMG Taseer Hadi & Co.  
Chartered Accountants**

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Statement of Assets and Liabilities As at 30 June 2018

	Note	2018					2017			
		NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II	Total	NIAAP - VI	NIAAP - VII	Total
(Rupees in '000)										
<b>Assets</b>										
Bank balances	5	28,028	11,647	38,206	105,550	803,059	986,490	68,640	176,697	245,337
Investments	6	422,322	184,774	551,446	1,658,717	46,914	2,864,173	828,864	92,805	921,669
Profit receivable on bank deposits		168	74	214	599	4,541	5,596	947	36	983
Advance and other receivable	7	40	8	6	39	707	800	37	3	40
Preliminary expenses and floatation costs	8	149	23	102	374	197	845	1,354	208	1,562
<b>Total assets</b>		<b>450,707</b>	<b>196,526</b>	<b>589,974</b>	<b>1,765,279</b>	<b>855,418</b>	<b>3,857,904</b>	<b>899,842</b>	<b>269,749</b>	<b>1,169,591</b>
<b>Liabilities</b>										
Payable to NBP Fund Management Limited - Management Company	9	1,421	565	579	1,491	1,933	5,989	4,109	2,296	6,405
Payable to Central Depository Company of Pakistan Limited - Trustee	10	35	15	45	149	67	311	85	1	86
Payable to Securities and Exchange Commission of Pakistan	11	563	204	417	656	149	1,989	84	1	85
Payable against purchase of investments		-	-	-	-	-	-	-	92,805	92,805
Payable against redemption of units		-	-	-	-	-	-	186	-	186
Accrued expenses and other liabilities	12	382	273	429	394	277	1,755	1,474	69	1,543
<b>Total liabilities</b>		<b>2,401</b>	<b>1,057</b>	<b>1,470</b>	<b>2,690</b>	<b>2,426</b>	<b>10,044</b>	<b>5,938</b>	<b>95,172</b>	<b>101,110</b>
<b>Net assets</b>		<b>448,306</b>	<b>195,469</b>	<b>588,504</b>	<b>1,762,589</b>	<b>852,992</b>	<b>3,847,860</b>	<b>893,904</b>	<b>174,577</b>	<b>1,068,481</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>448,306</b>	<b>195,469</b>	<b>588,504</b>	<b>1,762,589</b>	<b>852,992</b>	<b>3,847,860</b>	<b>893,904</b>	<b>174,577</b>	<b>1,068,481</b>
<b>Contingency and commitment</b>										
(Number of units)										
Number of units in issue	14	5,149,118	2,090,911	5,866,968	17,561,393	8,480,989		9,463,800	1,746,167	
(Rupees)										
Net assets value per unit		87.0647	93.4852	100.3081	100.3672	100.5769		94.4551	99.9773	

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Income Statement For the year / period ended 30 June 2018

	For the year ended 30 June 2018	For the year ended 30 June 2018	For the period 04 November 2017 to 30 June 2018	For the period 28 February 2018 to 30 June 2018	For the period 27 April 2018 to 30 June 2018	Total	For the period 27 May 2017 to 30 June 2017	For the period 30 June 2017 to 30 June 2017	Total
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II		NIAAP - VI	NIAAP - VII	
<b>Income</b>									
Profit on bank deposits	2,765	1,194	2,145	3,405	9,609	19,118	1,040	36	1,076
Dividend income	6,725	1,850	-	-	-	8,575	58,289	-	58,289
Capital (loss) / gain on sale of investments - net	(46,432)	(6,689)	3,119	(2,858)	-	(52,860)	-	-	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2 (24,546)	(9,344)	2,024	10,575	(1,929)	(23,220)	(111,425)	-	(111,425)
<b>Total (loss) / income</b>	<b>(61,488)</b>	<b>(12,989)</b>	<b>7,288</b>	<b>11,122</b>	<b>7,680</b>	<b>(48,387)</b>	<b>(52,096)</b>	<b>36</b>	<b>(52,060)</b>
<b>Expenses</b>									
Remuneration to NBP Fund Asset Management Limited - Management Company	9.1 522	251	388	467	1,542	3,170	213	3	216
Sindh Sales Tax on remuneration to Management Company	9.2 68	33	50	61	200	412	28	-	28
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1 561	201	396	564	128	1,850	88	1	89
Sindh Sales Tax on remuneration to Trustee	10.2 73	26	51	73	17	240	11	-	11
Annual fee - Securities and Exchange Commission of Pakistan	11 563	204	417	656	149	1,989	84	1	85
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 593	157	439	691	157	2,037	88	1	89
Auditors' remuneration	15 178	167	180	61	61	647	76	35	111
Legal fee	37	42	32	31	28	170	15	10	25
Annual listing fee	14	14	-	-	-	28	-	-	-
Printing charges	24	19	24	31	19	117	35	21	56
Shariah advisor fee	171	93	97	40	17	418	37	-	37
Settlement and bank charges	39	29	95	113	77	353	34	4	38
Amortisation of preliminary expenses and flotation cost	452	66	93	87	19	717	78	-	78
<b>Total expenses</b>	<b>3,295</b>	<b>1,302</b>	<b>2,262</b>	<b>2,875</b>	<b>2,414</b>	<b>12,148</b>	<b>787</b>	<b>76</b>	<b>863</b>
<b>Net (loss) / income from operating activities</b>	<b>(64,783)</b>	<b>(14,291)</b>	<b>5,026</b>	<b>8,247</b>	<b>5,266</b>	<b>(60,535)</b>	<b>(52,883)</b>	<b>(40)</b>	<b>(52,923)</b>
Provision for Sindh Workers' Welfare Fund	12.1 -	-	(101)	(165)	(105)	(371)	-	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	-	-	-	-	-	407	(1)	406
<b>Net (loss) / income for the year / period before taxation</b>	<b>(64,783)</b>	<b>(14,291)</b>	<b>4,925</b>	<b>8,082</b>	<b>5,161</b>	<b>(60,906)</b>	<b>(52,476)</b>	<b>(41)</b>	<b>(52,517)</b>
Taxation	16 -	-	-	-	-	-	-	-	-
<b>Net (loss) / income for the year / period</b>	<b>(64,783)</b>	<b>(14,291)</b>	<b>4,925</b>	<b>8,082</b>	<b>5,161</b>	<b>(60,906)</b>	<b>(52,476)</b>	<b>(41)</b>	<b>(52,517)</b>
<b>Allocation of net income for the period</b>									
Net income for the period			4,925	8,082	5,161		-	-	
Income already paid on units redeemed			(3,628)	(1,644)	(267)		-	-	
			<b>1,297</b>	<b>6,438</b>	<b>4,894</b>		<b>-</b>	<b>-</b>	
<b>Accounting income available for distribution:</b>									
- Relating to capital gains			3,014	6,157	-		-	-	
- Excluding capital gains			(1,717)	281	4,894		-	-	
			<b>1,297</b>	<b>6,438</b>	<b>4,894</b>		<b>-</b>	<b>-</b>	

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

For NBP Fund Management Limited  
(Management Company)

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Statement of Comprehensive Income For the year / period ended 30 June 2018

	For the year ended 30 June 2018	For the year ended 30 June 2018	For the period 04 November 2017 to 30 June 2018	For the period 28 February 2018 to 30 June 2018	For the period 27 April 2018 to 30 June 2018	Total	For the period 27 May 2017 to 30 June 2017	For the period 30 June 2017 to 30 June 2017	Total
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II		NIAAP - VI	NIAAP - VII	
----- (Rupees in '000) -----									
Net (loss) / income for the year / period	(64,783)	(14,291)	4,925	8,082	5,161	(60,906)	(52,476)	(41)	(52,517)
Other comprehensive income for the year / period	-	-	-	-	-	-	-	-	-
<b>Total comprehensive (loss) / income for the year / period</b>	<b>(64,783)</b>	<b>(14,291)</b>	<b>4,925</b>	<b>8,082</b>	<b>5,161</b>	<b>(60,906)</b>	<b>(52,476)</b>	<b>(41)</b>	<b>(52,517)</b>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Statement of Movement in Unit Holders' Fund For the year / period ended 30 June 2018

	2018																	
	NIAAP-VI			NIAAP-VII			NIAAP-VIII			NICPP-I			NICPP-II			Total		
	Value	Undistributed income	Total	value	Undistributed income	Total	Value	Undistributed income	Total	Value	Undistributed income	Total	Value	Undistributed income	Total	Value	Undistributed income	Total
Net assets at beginning of the year	946,380	(52,476)	893,904	174,618	(41)	174,577	-	-	-	-	-	-	-	-	-	1,120,998	(52,517)	1,068,481
Issue of Nil units (NIAAP-VI) 930,440 units (NIAAP-VII) 7,732,131 units (NIAAP-VIII) 21,548,449 units (NICPP-I) 9,301,452 units (NICPP-II)	-	-	-	93,023	-	93,023	773,213	-	773,213	2,154,845	-	2,154,845	930,145	-	930,145	3,951,226	-	3,951,226
- Capital value	-	-	-	(1,481)	-	(1,481)	108	-	108	-	-	-	-	-	-	(1,373)	-	(1,373)
- Element of income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total proceeds on issuance of units	-	-	-	91,542	-	91,542	773,321	-	773,321	2,154,845	-	2,154,845	930,145	-	930,145	3,949,853	-	3,949,853
Redemption of 4,314,682 units (NIAAP-VI) 585,698 units (NIAAP-VII) 1,865,163 units (NIAAP-VIII) 3,987,055 units (NICPP-I) 820,464 units (NICPP-II)	(407,544)	-	(407,544)	(58,556)	-	(58,556)	(186,516)	-	(186,516)	(398,706)	-	(398,706)	(82,046)	-	(82,046)	(1,133,368)	-	(1,133,368)
- Capital value	26,729	-	26,729	2,197	-	2,197	402	(3,628)	(3,226)	12	(1,644)	(1,632)	(1)	(267)	(268)	29,339	(5,539)	23,800
- Element of income	(380,815)	-	(380,815)	(56,359)	-	(56,359)	(186,114)	(3,628)	(189,742)	(398,694)	(1,644)	(400,338)	(82,047)	(267)	(82,314)	(1,104,029)	(5,539)	(1,109,568)
Total payments on redemption of units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss / income for the year / period	-	(64,783)	(64,783)	-	(14,291)	(14,291)	-	4,925	4,925	-	8,082	8,082	-	5,161	5,161	-	(60,906)	(60,906)
Net assets at end of the year / period	565,565	(117,259)	448,306	209,801	(14,332)	195,469	587,207	1,297	588,504	1,756,151	6,438	1,762,589	848,098	4,894	852,992	3,966,822	(118,962)	3,847,860
Undistributed loss brought forward	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Realised	58,949	-	58,949	(41)	-	(41)	-	-	-	-	-	-	-	-	-	-	-	58,908
- Unrealised	(111,425)	-	(111,425)	(41)	-	(41)	-	-	-	-	-	-	-	-	-	-	-	(111,425)
Accounting income available for distribution:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Relating to capital gains	-	-	-	-	-	-	4,925	-	4,925	6,157	-	6,157	-	-	-	-	-	11,082
- Excluding capital gains	-	-	-	-	-	-	(3,628)	-	(3,628)	281	-	281	4,894	-	4,894	-	-	1,547
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	-	-	1,297	-	1,297	6,438	-	6,438	4,894	-	4,894	-	-	12,629
Net loss for the year	(64,783)	-	(64,783)	(14,291)	-	(14,291)	-	-	-	-	-	-	-	-	-	-	-	(79,074)
Undistributed loss carried forward	(117,259)	-	(117,259)	(14,332)	-	(14,332)	1,297	-	1,297	6,438	-	6,438	4,894	-	4,894	-	-	(118,962)
Undistributed loss carried forward	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Realised	(92,713)	-	(92,713)	(4,988)	-	(4,988)	(727)	-	(727)	(4,137)	-	(4,137)	6,823	-	6,823	-	-	(95,742)
- Unrealised	(24,546)	-	(24,546)	(9,344)	-	(9,344)	2,024	-	2,024	10,575	-	10,575	(1,929)	-	(1,929)	-	-	(23,220)
Net loss for the year	(117,259)	-	(117,259)	(14,332)	-	(14,332)	1,297	-	1,297	6,438	-	6,438	4,894	-	4,894	-	-	(118,962)
			(Rupees)			(Rupees)			(Rupees)			(Rupees)			(Rupees)			
Net assets value per unit at beginning of the year / period	94.4551	-	94.4551	99.9773	-	99.9773	-	-	-	-	-	-	-	-	-	-	-	-
Net assets value per unit at end of the year	87.0647	-	87.0647	93.4852	-	93.4852	100.3081	-	100.3081	100.3672	-	100.3672	100.5769	-	100.5769	-	-	100.5769

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Statement of Movement in Unit Holders' Fund For the period / year ended 30 June 2017

	2017			2017			2017		
	Value	NIAAP-VI Undistributed income	Total	Value	NIAAP-VII Undistributed income	Total	Value	Total Undistributed income	Total
	(Rupees in '000)								
Net assets at beginning of the year	-	-	-	-	-	-	-	-	-
Issue of 9,560,446 units (NIAAP-VI) 1,746,167 units (NIAAP-VII)									
- Capital value									
- Element of income									
Total proceeds on issuance of units	956,045	-	956,045	174,618	(1)	174,617	1,130,663	(1)	1,130,662
Redemption of 96,646 units (NIAAP-VI) Nil units (NIAAP-VII)									
- Capital value									
- Element of income									
Total payments on redemption of units	(9,665)	407	(9,258)	-	-	-	(9,665)	407	(9,258)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	(407)	(407)	-	1	1	-	(406)	(406)
Total comprehensive loss / income for the year / period	-	(52,476)	(52,476)	-	(41)	(41)	-	(52,517)	(52,517)
Net assets at end of the year / period	<u>946,380</u>	<u>(52,476)</u>	<u>893,904</u>	<u>174,618</u>	<u>(41)</u>	<u>174,577</u>	<u>1,120,998</u>	<u>(52,517)</u>	<u>1,068,481</u>
Undistributed loss brought forward									
- Realised									
- Unrealised									
Accounting loss available for distribution:									
- Relating to capital gains									
- Excluding capital gains									
Net loss / income for the (loss) / period		(52,476)			(41)			(52,517)	
Undistributed loss carried forward		<u>(52,476)</u>			<u>(41)</u>			<u>(52,517)</u>	
Undistributed loss carried forward									
- Realised		58,949			(41)			58,908	
- Unrealised		<u>(111,425)</u>			<u>-</u>			<u>(111,425)</u>	
		<u>(52,476)</u>			<u>(41)</u>			<u>(52,517)</u>	
Net assets value per unit at end of the year / period			<u>94.4551</u>			<u>99.9773</u>			

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Cash Flow Statement For the year / period ended 30 June 2018

	For the year ended 30 June 2018	For the year ended 30 June 2018	For the period 04 November 2017 to 30 June 2018	For the period 28 February 2018 to 30 June 2018	For the period 27 April 2018 to 30 June 2018	Total	For the period 27 May 2017 to 30 June 2017	For the period 30 June 2017 to 30 June 2017	Total
Note	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II		NIAAP - VI	NIAAP - VII	
(Rupees in '000)									
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Net (loss) / profit for the year / period	(64,783)	(14,291)	4,925	8,082	5,161	(60,906)	(52,476)	(41)	(52,517)
<b>Adjustments:</b>									
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	24,546	9,344	(2,024)	(10,575)	1,929	23,220	111,425	-	111,425
Capital (gain) / loss on sale of investments - net	46,432	6,689	(3,119)	2,858	-	52,860			
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	-	-	(407)	1	(406)
Amortisation of preliminary expenses and flotation costs	452	66	93	87	19	717	78	-	78
	6,647	1,808	(125)	452	7,109	15,891	58,620	(40)	58,580
<b>Decrease / (Increase) in assets</b>									
Investments	335,564	(108,002)	(546,303)	(1,651,000)	(48,843)	(2,018,584)	(940,289)	(92,805)	(1,033,094)
Profit receivable on bank deposits	779	(38)	(214)	(599)	(4,541)	(4,613)	(947)	(36)	(983)
Advance and other receivable	(3)	(5)	(6)	(39)	(707)	(760)	(37)	(3)	(40)
Preliminary expenses and flotation costs	753	119	(195)	(461)	(216)	-	(1,432)	(208)	(1,640)
	337,093	(107,926)	(546,718)	(1,652,099)	(54,307)	(2,023,957)	(942,705)	(93,052)	(1,035,757)
<b>(Decrease) / Increase in liabilities</b>									
Payable to NBP Fund Management Limited - Management Company	(2,688)	(1,731)	579	1,491	1,933	(416)	4,109	2,296	6,405
Payable to Central Depository Company of Pakistan Limited - Trustee	(50)	14	45	149	67	225	85	1	86
Payable to Securities and Exchange Commission of Pakistan	479	203	417	656	149	1,904	84	1	85
Payable against purchase of investment	-	(92,805)	-	-	-	(92,805)	-	92,805	92,805
Accrued expenses and other liabilities	(1,092)	204	429	394	277	212	1,474	69	1,543
	(3,351)	(94,115)	1,470	2,690	2,426	(90,880)	5,752	95,172	100,924
<b>Net cash generated from / (used in) operating activities</b>	340,389	(200,233)	(545,373)	(1,648,957)	(44,772)	(2,098,946)	(878,333)	2,080	(876,253)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Amount received against issuance of units	-	91,542	773,321	2,154,845	930,145	3,949,853	956,045	174,617	1,130,662
Amount paid against redemption of units	(381,001)	(56,359)	(189,742)	(400,338)	(82,314)	(1,109,754)	(9,072)	-	(9,072)
<b>Net cash (used in) financing activities</b>	(381,001)	35,183	583,579	1,754,507	847,831	2,840,099	946,973	174,617	1,121,590
<b>Net (decrease) / increase in cash and cash equivalents</b>	(40,612)	(165,050)	38,206	105,550	803,059	741,153	68,640	176,697	245,337
Cash and cash equivalents at beginning of the period	68,640	176,697	-	-	-	245,337	-	-	-
<b>Cash and cash equivalents at end of the year / period</b>	28,028	11,647	38,206	105,550	803,059	986,490	68,640	176,697	245,337

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Notes to and forming part of the Financial Statements For the year / period ended 30 June 2018

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** NAFA Islamic Active Allocation Fund - II (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 24 March 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 13 April 2017 under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008).
- 1.2** 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 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3** The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. During the year ended 30 June 2017, the Fund has offered two plans namely NAFA Islamic Active Allocation Plan – VI (NIAAP - VI) and NAFA Islamic Active Allocation Plan – VII (NIAAP - VII). Further, during the year the Fund has offered three new plans namely NAFA Islamic Active Allocation Plan -- VIII (NIAAP - VIII) on 4 November 2017, NAFA Islamic Capital Preservation Plan -- I (NICPP - I) on 28 February 2018 and NAFA Islamic Capital Preservation Plan -- II (NICPP - II) on 27 April 2018 in which the offer of units was discontinued after the subscription period. However, the subscription in units may be reopened for fresh issuance by the Management Company with prior approval of the SECP after intimation to the Trustee. The units of the Plan VI was initially offered for public subscription from 24 May 2017 to 26 May 2017 at initial price of Rs. 100 and received Rs. 985.106 million against IPO from various investors upto 26 May 2017. Accordingly the Fund commenced its business activities on 27 May 2017. The units of the plans are transferable and can be categorised as an Open-End "Shariah Compliant Fund of Funds" as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).
- 1.4** The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of shariah compliant equity fund, income fund and money market fund. The allocation plan intends to dynamically switch between equity asset class (NAFA Islamic Active Allocation Equity Fund) and moderate risk income asset class (NAFA Active Allocation Riba Free Savings Fund) and low risk asset class (NAFA Islamic Money Market Fund ) and Bank Deposits. Investors of the Fund may hold different types of Allocation Plans and may invest in any one or more of the available allocation plans. The Management Company may also invest in any other Collective Investment Schemes available to it with the prior approval of the SECP.
- 1.5** Each allocation plan under the Fund announces separate NAV which ranks pari passu according to the number of units of the respective allocation plans. The books and records of each plan have been maintained separately.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- 1.6** The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company. The Fund has not yet been rated.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as a Trustee of the Fund. The Fund property of different types of allocations plans shall be accounted for and maintained separately in books of accounts which shall collectively constitute the Fund property of the Scheme.
- 1.8** The duration of the Fund / allocation plans is perpetual. However, the initial maturities of NIAAP - VI and NIAAP - VII shall be two years from the close of the subscription period. Management Company may open the subscription of units after initial maturities with the prior approval of the SECP. SECP or the Management Company may wind allocation plans on the occurrence of certain events as specified in offering document of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part and the requirements VIIIA of the repealed Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations). Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations have been followed.

### **2.2 Accounting convention**

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

### **2.3 Functional and presentation currency**

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

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- Classification and valuation of investments (refer note 4.1 and note 6).
- Element of income (refer note 4)

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non- investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Fund's financial statements.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Fund's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The the Fund is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on the Fund's financial statements.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, the Fund now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Fund's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when the Fund increases its interest in a joint operation that meets the definition of a business. The Fund remeasures its previously held interest in a joint operation when it obtains control of the business. The Fund does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that the Fund treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Fund's financial statements.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to periods presented except for the change in accounting policies as stated below:

### **New, Amended and Revised Standards and Interpretations of IFRSs**

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the the Funds' financial statements and are therefore not stated in these financial statements.

## **Application of Companies Act, 2017**

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 which application has been deferred till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2.1). However, it does not have any significant impact on the Fund's financial statements.

## **Element of Income**

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement on net basis and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been higher by Rs. 26.729 million and Rs. 0.716 million for NIAAP - VI and NIAAP VII respectively. However, the change in accounting policy does not have any impact on net asset value per unit of the NIAAP - VI and NIAAP VII respectively. The income of the NIAAP VIII, NICPP I and NICPP II would have been lower by Rs. 3.056 million, Rs. 1.599 and Rs. 0.263 million respectively, net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been higher by Rs. 0.0106, Rs. 0.0019 and Rs. 0.0006 for NIAAP - VIII, NICPP I and NICPP II respectively.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 4.1 Financial Assets

### 4.1.1 Classification

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

#### a) Loans and receivables

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

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

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

#### c) Available for sale

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

All investments in the Fund as at 30 June 2018 are classified as 'financial assets at fair value through profit and loss'.

### 4.1.2 Regular way contracts

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

### 4.1.3 Initial recognition and measurement

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

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 4.1.4 Subsequent measurement

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

### a) Basis of valuation of units of mutual funds

The investment of the Fund in the units of mutual funds is valued by reference to the net asset values (redemption prices) declared by the respective funds.

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

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

### b) Loans and receivables

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

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

## 4.1.5 Impairment of financial assets

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are 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. Impairment loss are recognised in the income statement.

## 4.1.6 Derecognition

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

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 4.1.7 Offsetting of financial assets and liabilities

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

## 4.2 Cash and cash equivalents

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

## 4.3 Derivatives

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

## 4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

## 4.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of two years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 4.6 Provisions

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

## 4.7 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 period, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the period, the income distributed through bonus units shall not be taken into account.

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

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

## 4.8 Issue and redemption of units

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

Units redeemed are recorded at the redemption price of each allocation plan, 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 business day less any back-end load, provisions for transaction costs and any provision for duties and charges, if applicable.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 4.9 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

## 4.10 Earnings per unit

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

## 4.11 Net assets value per unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of each allocated Plan by the number of units in circulation of the respective Plans at the period end.

## 4.12 Revenue recognition

- Dividend income is recognised in the income statement when the right to receive the dividend is established.
- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised using the effective yield method.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 4.13 Distribution

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

## 5 BANK BALANCES

	2018					2017			
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP-I	NICPP-II	Total	NIAAP - VI	NIAAP - VII	Total
	----- (Rupees in '000) -----								
In current account	1,042	1	122	692	923	2,780	780	-	780
In savings accounts	26,986	11,646	38,084	104,858	802,136	983,710	67,860	176,697	244,557
	<u>28,028</u>	<u>11,647</u>	<u>38,206</u>	<u>105,550</u>	<u>803,059</u>	<u>986,490</u>	<u>68,640</u>	<u>176,697</u>	<u>245,337</u>

5.1 These carry profit at the rates ranging from 5.50% to 6.50% (2017: 5.50% to 6.25%) per annum.

5.2 These have been adjusted with cheques of Rs. 0.0473 million, Rs. 0.1068 million, Rs. 2.2548 million and Rs. 7.6280 million of NIAAP VII, NIAAP VIII, NICPP - I and NICPP - II respectively, issued on account of redemption of units at close of financial period which have cleared subsequent to year end.

## 6 INVESTMENTS

	2018					2017			
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II	Total	NIAAP - VI	NIAAP - VII	Total
	----- (Rupees in '000) -----								
<b>Financial assets 'at fair value through profit or loss' - held for trading</b>									
Investment in mutual funds									
- related parties	422,322	184,774	551,446	1,658,717	46,914	2,864,173	828,864	92,805	921,669

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 6.1 Investment in mutual funds - related parties

### 6.1.1 NAFA Islamic Active Allocation Plan VI

Name of Fund	As at 01 July 2017	Purchased during the year	Redeemed during the year	As at 30 June 2018	Market value / carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
	----- (Number of units) -----				(Rupees in '000)	----- (%) -----	
NAFA Islamic Active Allocation Equity Fund	36,937,734	17,220,222	34,743,171	19,414,785	220,212	49.12	52.14
NAFA Active Allocation Riba Free Savings Fund	33,269,542	29,378,327	43,257,652	19,390,217	202,110	45.08	47.86
<b>Total</b>	<b>70,207,276</b>	<b>46,598,549</b>	<b>78,000,823</b>	<b>38,805,002</b>	<b>422,322</b>	<b>94.20</b>	<b>100.00</b>

Carrying value before fair value adjustment as at 30 June 2018

**446,868**

### 6.1.2 NAFA Islamic Active Allocation Plan VII

Name of Fund	As at 01 July 2017	Purchased during the year	Redeemed during the year	As at 30 June 2018	Market value / carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
	----- (Number of units) -----				(Rupees in '000)	----- (%) -----	
NAFA Islamic Active Allocation Equity Fund	6,916,095	8,300,699	-	15,216,794	95,931	49.08	51.92
NAFA Active Allocation Riba Free Savings Fund	-	20,393,407	11,869,944	8,523,463	88,843	45.45	48.08
<b>Total</b>	<b>6,916,095</b>	<b>28,694,106</b>	<b>11,869,944</b>	<b>23,740,257</b>	<b>184,774</b>	<b>94.53</b>	<b>100.00</b>

Carrying value before fair value adjustment as at 30 June 2018

**194,118**

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 6.1.3 NAFA Islamic Active Allocation Plan VIII

Name of Fund	Purchased during the period	Redeemed during the period	As at 30 June 2018	Market value / carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
	----- (Number of units) -----			(Rupees in '000)	----- (%) -----	
NAFA Islamic Active Allocation Equity Fund	34,570,389	9,251,620	25,318,769	287,178	48.80	52.08
NAFA Active Allocation Riba Free Savings Fund	65,655,467	40,301,849	25,353,618	264,268	44.91	47.92
<b>Total</b>	<b>100,225,856</b>	<b>49,553,469</b>	<b>50,672,387</b>	<b>551,446</b>	<b>93.71</b>	<b>100.00</b>
Carrying value before fair value adjustment as at 30 June 2018				<b>549,422</b>		

## 6.1.4 NAFA Islamic Capital Preservation Fund I

Name of Fund	Purchased during the period	Redeemed during the period	As at 30 June 2018	Market value / carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
	----- (Number of units) -----			(Rupees in '000)	----- (%) -----	
NAFA Islamic Active Allocation Equity Fund	38,817,610	24,803,477	14,014,133	158,955	9.02	9.58
NAFA Islamic Money Market Fund	201,315,660	53,582,060	147,733,600	1,499,762	85.09	90.42
<b>Total</b>	<b>240,133,270</b>	<b>78,385,537</b>	<b>161,747,733</b>	<b>1,658,717</b>	<b>94.11</b>	<b>100.00</b>
Carrying value before fair value adjustment as at 30 June 2018				<b>1,648,142</b>		

## 6.1.5 NAFA Islamic Capital Preservation Fund II

Name of Fund	Purchased during the period	Redeemed during the period	As at 30 June 2018	Market value / carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
	----- (Number of units) -----			(Rupees in '000)	----- (%) -----	
NAFA Islamic Active Allocation Equity Fund	<b>4,136,118</b>	-	<b>4,136,118</b>	<b>46,914</b>	<b>5.50</b>	<b>100.00</b>
Carrying value before fair value adjustment as at 30 June 2018				<b>48,843</b>		

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 6.2 Net unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets at 'fair value through profit or loss'

	2018					2017			
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II	Total	NIAAP - VI	NIAAP - VII	Total
	(Rupees in '000)								
Market value of investments	422,322	184,774	551,446	1,658,717	46,914	2,864,173	828,864	92,805	921,669
Less: Carrying value of investments	(446,868)	(194,118)	(549,422)	(1,648,142)	(48,843)	(2,887,393)	(940,289)	(92,805)	(1,033,094)
	<u>(24,546)</u>	<u>(9,344)</u>	<u>2,024</u>	<u>10,575</u>	<u>(1,929)</u>	<u>(23,220)</u>	<u>(111,425)</u>	<u>-</u>	<u>(111,425)</u>

## 7 ADVANCE AND OTHER RECEIVABLE

Advance tax	40	-	-	-	707	747	37	-	37
Other receivable	-	8	6	39	-	53	-	3	3
	<u>40</u>	<u>8</u>	<u>6</u>	<u>39</u>	<u>707</u>	<u>800</u>	<u>37</u>	<u>3</u>	<u>40</u>

## 8 PRELIMINARY EXPENSES AND FLOTATION COSTS

Opening Balance	1,354	208	-	-	-	1,562	1,432	208	1,640
Allocation to Plan - VIII, NICPP - I and NICPP - II	(753)	(119)	195	461	216	-	-	-	-
Less: Amortisation for the year / period	(452)	(66)	(93)	(87)	(19)	(717)	(78)	-	(78)
Balance at end of the year / period	<u>149</u>	<u>23</u>	<u>102</u>	<u>374</u>	<u>197</u>	<u>845</u>	<u>1,354</u>	<u>208</u>	<u>1,562</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of two years as per the requirements set out in the Trust Deed.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

		2018					2017			
		NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II	Total	NIAAP - VI	NIAAP - VII	Total
----- (Rupees in '000) -----										
Remuneration to Management Company	9.1	31	13	39	82	695	860	112	3	115
Sindh Sales Tax on management remuneration	9.2	4	2	5	11	90	112	15	-	15
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	245	103	325	691	157	1,521	88	1	89
Sales and transfer load		391	304	-	201	668	1,564	2,161	1,831	3,992
Sindh Sales Tax on sales load		51	39	-	26	87	203	281	238	519
Preliminary expenses and floatation costs		679	89	195	460	216	1,639	1,432	208	1,640
Other payable		20	15	15	20	20	90	20	15	35
		<b>1,421</b>	<b>565</b>	<b>579</b>	<b>1,491</b>	<b>1,933</b>	<b>5,989</b>	<b>4,109</b>	<b>2,296</b>	<b>6,405</b>

- 9.1** Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged remuneration at the rate of 1.25% per annum based on the average daily net assets of the allocation plans after deducting the market value of investment in collective investments, managed by the Management Company of the Fund. The amount of remuneration is being paid monthly in arrears.
- 9.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on management remuneration and sales load.
- 9.3** Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged at the rate of 0.1% of average annual net assets of the Fund.

## 10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Trustee remuneration	10.1	31	13	40	132	59	275	75	1	76
Sindh Sales Tax on Trustee remuneration	10.2	4	2	5	17	8	36	10	-	10
		<b>35</b>	<b>15</b>	<b>45</b>	<b>149</b>	<b>67</b>	<b>311</b>	<b>85</b>	<b>1</b>	<b>86</b>

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

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

### Net assets

Upto Rs. 1,000 million

On an amount exceeding Rs 1,000 million

### Tariff per annum

0.10% p.a of net assets

Rs. 1.0 million plus 0.075% p.a of net assets, on amount exceeding Rs. 1,000 million.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

**10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on Trustee remuneration.

## **11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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

## **12 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2018						2017			
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II	Total	NIAAP - VI	NIAAP - VII	Total	
	----- (Rupees in '000) -----									
Provision for Sindh Workers' Welfare Fund	12.1	-	-	101	165	105	371	-	-	-
Auditors' remuneration	121	111	130	61	61	484	76	35	111	
Bank charges	37	18	45	39	31	170	21	4	25	
Printing charges	20	20	20	32	19	111	35	20	55	
Legal fee	30	30	32	31	28	151	15	10	25	
Shariah advisor fee	171	93	97	40	17	418	37	-	37	
Withholding tax	3	1	4	13	6	27	1,290	-	1,290	
Capital gain tax	-	-	-	13	10	23	-	-	-	
	<b>382</b>	<b>273</b>	<b>429</b>	<b>394</b>	<b>277</b>	<b>1,755</b>	<b>1,474</b>	<b>69</b>	<b>1,543</b>	

**12.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014.

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of financial institutions. The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the current period the net asset value of the Fund as at 30 June 2018 would have been higher by Rs. 0.0172, Rs. 0.0094, Rs. 0.0124 per unit of NIAAF - VIII, NICPP - I, NICPP - II respectively.

## **13 CONTINGENCY AND COMMITMENT**

There was no contingency and commitment as at 30 June 2018.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 14 NUMBER OF UNITS IN ISSUE

	2018					2017			
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II	Total	NIAAP - VI	NIAAP - VII	Total
	(Number of units)								
Opening	9,463,800	1,746,167	-	-	-	11,209,967	-	-	-
Units issued	-	930,440	7,732,131	21,548,449	9,301,452	39,512,472	9,560,446	1,746,167	11,306,613
Less: units redeemed	(4,314,682)	(585,696)	(1,865,163)	(3,987,056)	(820,463)	(11,573,060)	(96,646)	-	(96,646)
Total units in issue at end of the year / period	<u>5,149,118</u>	<u>2,090,911</u>	<u>5,866,968</u>	<u>17,561,393</u>	<u>8,480,989</u>	<u>39,149,379</u>	<u>9,463,800</u>	<u>1,746,167</u>	<u>11,209,967</u>

## 15 AUDITORS' REMUNERATION

	2018					2017			
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II	Total	NIAAP - VI	NIAAP - VII	Total
	(Rupees in '000)								
Annual audit fee	100	100	100	50	50	400	72	33	105
Half yearly fee	40	40	40	-	-	120	-	-	-
Out of pocket expenses and others including government levy	38	27	40	11	11	127	4	2	6
	<u>178</u>	<u>167</u>	<u>180</u>	<u>61</u>	<u>61</u>	<u>647</u>	<u>76</u>	<u>35</u>	<u>111</u>

## 16 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to 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. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.13) in case of NICPP - I and NICPP - II, therefore no provision for taxation has been made in these financial statements. The Management Company on 04 July 2018 (refer note 27) has declared distribution more than ninety percent of the Fund's accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. In case of NIAAP - VI, NIAAP - VII and NIAAP - VIII no provisions for taxation has been made as the respective plans were in loss after taking into account capital gains whether realized or unrealized.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 17 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	NIAAP - VI		
	Receivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 01 July 2017	-	186	186
Receivable against issuance of units	-	-	-
Payable against redemption of units	-	380,815	380,815
	-	380,815	380,815
Amount received on issuance of units	-	-	-
Amount paid on redemption of units	-	(381,001)	(381,001)
Dividend paid	-	-	-
	-	(381,001)	(381,001)
<b>Closing balance as at 30 June 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>-</b>	<b>-</b>	<b>-</b>
	NIAAP - VII		
	Receivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 01 July 2017			
Receivable against issuance of units	91,542	-	91,542
Payable against redemption of units	-	56,359	56,359
	91,542	56,359	147,901
Amount received on issuance of units	(91,542)	-	(91,542)
Amount paid on redemption of units	-	(56,359)	(56,359)
Dividend paid	-	-	-
	(91,542)	(56,359)	(147,901)
<b>Closing balance as at 30 June 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>-</b>	<b>-</b>	<b>-</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## NIAAP - VIII

	Receivable against sale of units	Payable against redemption of units	Total
----- (Rupees in '000) -----			
Opening balance as at 01 July 2017			
Receivable against issuance of units	773,321	-	773,321
Payable against redemption of units	-	189,742	189,742
	773,321	189,742	963,063
Amount received on issuance of units	(773,321)		(773,321)
Amount paid on redemption of units	-	(189,742)	(189,742)
Dividend paid	-		-
	(773,321)	(189,742)	(963,063)
<b>Closing balance as at 30 June 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NICPP - I

	Receivable against sale of units	Payable against redemption of units	Total
----- (Rupees in '000) -----			
Opening balance as at 1 July 2017			
Receivable against issuance of units	2,154,845	-	2,154,845
Payable against redemption of units	-	(400,338)	(400,338)
	2,154,845	(400,338)	1,754,507
Amount received on issuance of units	(2,154,845)	-	(2,154,845)
Amount paid on redemption of units	-	400,338	400,338
Dividend paid	-	-	-
	(2,154,845)	400,338	(1,754,507)
<b>Closing balance as at 30 June 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	NICPP - II		
	Receivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2017			
Receivable against issuance of units	930,145	-	930,145
Payable against redemption of units	-	82,314	82,314
	930,145	82,314	1,012,459
Amount received on issuance of units	(930,145)	-	(930,145)
Amount paid on redemption of units	-	(82,314)	(82,314)
Dividend paid	-	-	-
	(930,145)	(82,314)	(1,012,459)
<b>Closing balance as at 30 June 2018</b>	-	-	-

## 18 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 0.56%, 0.61%, 0.35%, 0.15% and 0.28% per annum of NIAAP-VI, NIAAP-VII, NIAAP-VIII, NICPP-I AND NICPP-II respectively. Total expense ratio (excluding government levies) is 0.44%, 0.48%, 0.26%, 0.10% and 0.23% per annum of NIAAP-VI, NIAAP-VII, NIAAP-VIII, NICPP-I AND NICPP-II respectively.

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

### 19.1

	As at 30 June 2018			As at 30 June 2017		
	NIAAP - VI					
	Loans and receivables	At fair value through profit or loss	Total	Loans and receivables	At fair value through profit or loss	Total
	----- (Rupees in '000) -----					
<b>Assets</b>						
Bank balances	28,028	-	28,028	68,640	-	68,640
Investments	-	422,322	422,322	-	828,864	828,864
Profit receivable on bank deposits	168	-	168	947	-	947
	28,196	422,322	450,518	69,587	828,864	898,451

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	As at 30 June 2018			As at 30 June 2017		
	NIAAP - VI					
	At fair value through profit or loss	At amortised cost	Total	At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----						
<b>Liabilities</b>						
Payable to NBP Fund Management Limited - Management Company	-	1,421	1,421	-	4,109	4,109
Payable to Central Depository Company of Pakistan Limited - Limited - Trustee	-	35	35	-	85	85
Payable against redemption of units	-	-	-	-	186	186
Accrued expenses and other liabilities	-	379	379	-	184	184
	<b>-</b>	<b>1,835</b>	<b>1,835</b>	<b>-</b>	<b>4,564</b>	<b>4,564</b>

19.2

	As at 30 June 2018			As at 30 June 2017		
	NIAAP - VII					
	Loans and receivables	At fair value through profit or loss	Total	Loans and receivables	At fair value through profit or loss	Total
----- (Rupees in '000) -----						
<b>Assets</b>						
Bank balances	11,647	-	11,647	176,697	-	176,697
Investments	-	184,774	184,774	-	92,805	92,805
Profit receivable on bank deposits	74	-	74	36	-	36
Other receivable	8	-	8	3	-	3
	<b>11,729</b>	<b>184,774</b>	<b>196,503</b>	<b>176,736</b>	<b>92,805</b>	<b>269,541</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	As at 30 June 2018			As at 30 June 2017		
	NIAAP - VII					
	At fair value through profit or loss	At amortised cost	Total	At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----						
<b>Liabilities</b>						
Payable to NBP Fund Management Limited - Management Company	-	565	565	-	2,296	2,296
Payable to Central Depository Company of Pakistan Limited - Limited - Trustee	-	15	15	-	1	1
Payable to Central Depository Company of	-	-	-	-	92,805	92,805
Payable against purchase of investment	-	272	272	-	69	69
Accrued expenses and other liabilities	-	852	852	-	95,171	95,171

19.3

	As at 30 June 2018		
	NIAAP - VIII		
	Loans and receivables	At fair value through profit or loss	Total
----- (Rupees in '000) -----			
<b>Assets</b>			
Asset balances	38,206	-	38,206
Investments	-	551,446	551,446
Profit receivable on bank deposits	214	-	214
Other receivable	6	-	6
	<b>38,426</b>	<b>551,446</b>	<b>589,872</b>
----- (Rupees in '000) -----			
			NIAAP - VIII
	At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----			
<b>Liabilities</b>			
Payable to NBP Fund Management Company	-	579	579
Payable to Central Depository Company of Limited - Trustee	-	45	45
Accrued expenses and other liabilities	-	324	324
		<b>948</b>	<b>948</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

19.4

## Assets

Bank balances  
Investments  
Profit receivable on bank deposits  
Other receivable

## Liabilities

Payable to NBP Fund Management Company  
Payable to Central Depository Company of Limited - Trustee  
Accrued expenses and other liabilities

As at 30 June 2018

NICPP - I		
Loans and receivables	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
105,550	-	105,550
-	1,658,717	1,658,717
599	-	599
39	-	39
<b>106,188</b>	<b>1,658,717</b>	<b>1,764,905</b>

NICPP - I

At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----		
-	1,491	1,491
-	149	149
-	203	203
<b>-</b>	<b>1,843</b>	<b>1,843</b>

19.5

## Assets

Bank balances  
Investments  
Profit receivable on bank deposits

As at 30 June 2018

NICPP - II		
Loans and receivables	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
803,059	-	803,059
-	46,914	46,914
4,541	-	4,541
<b>807,600</b>	<b>46,914</b>	<b>854,514</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	NICPP - II		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
	-	1,933	1,933
	-	67	67
	-	156	156
	-	2,156	2,156

## Liabilities

Payable to NBP Fund Management Company  
 Payable to Central Depository Company of Limited - Trustee  
 Accrued expenses and other liabilities

## 20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 20.1** Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Pension Fund, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding 10 percent or more units of the Fund.
- 20.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 20.3** Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 20.4** The details of significant transactions and balances with connected persons at period end except those disclosed elsewhere in these financial statements are as follows:

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 20.5 Transactions during the year / period:

	2018					Total	2017		
	For the year ended	For the year ended	For the period	For the period	For the period		For the period	For the period	Total
	30 June 2018	30 June 2018	4 November 2017	28 February 2018	27 April 2018		27 May 2017	30 June 2017	
	NIAAP - VI	NIAAP - VII	to 30 June 2018	to 30 June 2018	to 30 June 2018		to 30 June 2017	to 30 June 2017	
----- (Rupees in '000) -----									
<b>NBP Fund Management Limited- Management Company</b>									
Remuneration to Management Company	522	251	388	467	1,542	3,170	213	3	216
Sindh Sales Tax on remuneration of Management Company	68	33	50	61	200	412	68	-	68
Allocation of expenses related to registrar services, accounting, operation and valuation services	593	157	439	691	157	2,037	88	1	89
Preliminary expenses and floatation costs	452	66	93	87	19	717	78	-	78
Units Issued : Nil units [2017: 499,812 units] (NIAAP-VII)								49,981	49,981
<b>Central Depository Company of Pakistan Limited - Trustee</b>									
Remuneration to the Trustee	561	201	396	564	128	1,850	88	1	89
Sindh Sales Tax on remuneration to Trustee	73	26	51	73	17	240	11	-	11
<b>Employees of the Management Company</b>		10	194	1423	240	1,867	200	-	200
Units issued: Nil units [2017: 1,935 units] (NIAAP-VI)									
Units issued: 103 units [2017: Nil units] (NIAAP-VII)									
Units issued: 1,940 units (NIAAP VIII)									
Units Issued: 14,141 units (NICPP - I)									
Units Issued: 2,400 units (NICPP - II)									
<b>Investment in NAFA Islamic Active Allocation Equity Fund</b>	205,263	99,992	395,794	466,825	48,843	1,216,717	596,722	92,805	689,527
Units purchased: 17,220,221 units [2017: 36,937,734 units] (NIAAP-VI) Units purchased: 8,300,700 units [2017: 6,916,095 units] (NIAAP-VII) Units purchased 3,4570,389 (NIAAP - VIII)									
Units purchased: 38,817,610 Units (NICPP - I)									
Units Purchased: 4,136,118 Units (NICPP - II)									
Cash distributions during the period	-	-	-	-	-	-	46,722	-	46,722
<b>Units Sold:</b>	402,497	77,887	105,638	291,144	-	877,166	-	-	-
Units sold: 17,220,221 units [2017: Nil units] (NIAAP - VI)									
Units sold: 6,759,106 units [2017: Nil units] (NIAAP - VII)									
Units sold: 9,251,621 units (NIAAP - VIII)									
Units sold: 24,803,477 units (NICPP - I)									
<b>Investment in NAFA Islamic Active Allocation Riba</b>									
<b>Free Savings Fund</b>	331,902	206,526	668,638	-	-	1,207,066	343,567		343,567
Units purchased: 32,330,320 units [2017: 33,269,542 units] (NIAAP-VI) Units purchased: 20,393,408 units (NIAAP - VII)									
Units purchased: 65,655,465 units (NIAAP - VIII)									
Cash distributions during the period	-	-	-	-	-	-	11,567	-	11,567

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	2018					Total	2017		
	For the year ended	For the year ended	For the period	For the period	For the period		For the period	For the period	Total
	30 June 2018	30 June 2018	4 November 2017	28 February 2018	27 April 2018		27 May 2017	30 June 2017	
	NIAAP - VI	NIAAP - VII	to 30 June 2018	to 30 June 2018	to 30 June 2018		to 30 June 2017	to 30 June 2017	
----- (Rupees in '000) -----									
<b>Units Sold:</b>	439,286	120,629	412,491	-	-	972,406	-	-	-
Units sold: 43257652 units (NIAAP - VI)									
Units sold: 11,869,944 units (NIAAP - VII)									
Units sold: 65,655,465 units (NIAAP - VIII)									
<b>Investment in NAFA Islamic Money Market Fund</b>									
Units Purchased: 201,315,660 units (NICPP - I)	-	-	-	2,015,879	-	2,015,879	-	-	-
Units sold: 53,582,060 units (NICPP - I)	-	-	-	540,560	-	540,560	-	-	-
<b>BankIslami Pakistan Limited</b>									
Mark-up on balances	2,675	1,122	2,101	763	-	6,661	923	21	944
<b>20.6 Amounts outstanding as at year / period end:</b>									
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II	Total	NIAAP - VI	NIAAP - VII	Total
<b>NBP Fund Management Limited - Management Company</b>									
Management remuneration payable	31	13	39	82	695	860	112	3	115
Sindh Sales Tax payable	4	2	5	11	90	112	15	-	15
Allocation of expenses related to registrar services, accounting, operation and valuation services	245	103	325	691	157	1,521	88	1	89
Sales load and transfer load payable	391	304	-	201	668	1,564	2,161	1,831	3,992
Sindh Sales Tax on sales load	51	39	-	26	87	203	281	238	519
Preliminary expenses and floatation costs payable	679	89	195	460	216	1,639	20	15	35
Other payable	20	15	15	20	20	90	1,432	208	1,640
Units held : 499,812 units [2017: 499,812 units] (NIAAP-VII)	-	46,725	-	-	-	46,725	-	49,970	49,970
<b>Employees of the Management Company</b>									
Units held: 1,935 units [2017: 1,935 units] (NIAAP-VI)	169	-	-	-	-	169	183	-	183
Units held: 103 units [2017: Nil units] (NIAAP-VII)	-	10	-	-	-	10	-	-	-
Units held: 1,940 units [2017: Nil units] (NIAAP-VIII)	-	-	195	-	-	195	-	-	-
Units held: 14,141 units [2017: Nil units] (NICPP - I)	-	-	-	1,419	-	1,419	-	-	-
Units held: 2,400 units [2017: Nil units] (NICPP - II)	-	-	-	-	241	241	-	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>									
Remuneration payable	31	13	40	132	59	275	75	1	76
Sindh Sales Tax payable on remuneration to Trustee	4	2	5	17	8	36	10	-	10

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	2018					Total	2017		
	NIAAP - VI	NIAAP - VII	NIAAP - VIII	NICPP - I	NICPP - II		NIAAP - VI	NIAAP - VII	Total
	(Rupees in '000)								
<b>NAFA Islamic Active Allocation Equity Fund</b>	220,212	95,931	287,178	158,955	46,914	<b>809,190</b>	495,656	92,805	588,461
Units held: 8,457,689 units [2017: 36,937,734 units] (NIAAP-VI)									
Units held: 8,457,689 units [2017: 6,916,095 units] (NIAAP-VII)									
Units held: 25,318,768 units (NIAAP - VIII)									
Units held: 14,014,133 units (NICPP - I)									
Units held: 4,136,118 units (NICPP - II)									
Payable against purchase of investments	-	-	-	-	-	-	-	92,805	92,805
<b>NAFA Islamic Active Allocation Riba Free Savings Fund</b>	<b>202,110</b>	<b>88,843</b>	<b>264,268</b>	-	-	<b>555,221</b>	333,208	2017	333,208
Units held: 19,390,218 units [2017: 33,269,542 units] (NIAAP-VI)									
Units held: 8,523,464 units (NIAAP - VII)									
Units held: 25,353,616 units (NIAAP - VIII)									
<b>NAFA Islamic Money Market Fund</b>									
Units held: 147,733,560 units (NICPP - I)	-	-	-	<b>1,499,762</b>	-	<b>1,499,762</b>	-	-	-
<b>BankIslami Pakistan Limited</b>									
Bank balances	<b>26,236</b>	<b>11,499</b>	<b>37,453</b>	-	-	<b>75,188</b>	66,856	137,350	204,206

## 21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

S.No	Name	Qualifications	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration / CFA	30
2	Mr. Sajjad Anwar*	CFA / MBA Finance	18
3	Mr. Muhammad Ali Bhaba	MBA / MS / CFA / FRM	23
4	Mr. Hassan Raza	ACCA / BSC / CFA	7
5	Mr. Taha Khan Javed	MBA / CFA	12

\*Mr.Sajjad Anwar is the Fund Manager. He is also managing NAFA Islamic Active Allocation Fund I ,NAFA Islamic Active Allocation Fund III, NAFA Islamic Stock Fund, NAFA Pension Fund, NAFA Islamic Pension Fund, NAFA Islamic Principal Protected Fund II.

## 22 PATTERN OF UNIT HOLDING

Category	2018			2017		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
Individuals	276	313,985	70.04	399	645,849	72.25
Retirement Funds	6	28,173	6.28	8	124,490	13.93
Corporates	2	11,197	2.50	13	123,565	13.82
Others	9	94,951	21.18	-	-	-
	<b>293</b>	<b>448,306</b>	<b>100.00</b>	<b>420</b>	<b>893,904</b>	<b>100.00</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Category	NIAAP - VII			NIAAP - VII		
Individuals	133	131,584	67.32	117	103,881	59.5
Retirement Funds	3	12,606	6.45	3	18,791	10.76
Corporates	2	4,554	2.33	2	51,905	29.74
Associated Company	1	46,725	23.90	-	-	-
	<b>139</b>	<b>195,469</b>	<b>100.00</b>	<b>122</b>	<b>174,577</b>	<b>100.00</b>

Category	NIAAP - VIII			NIAAP - VIII		
Individuals	568	374,526	63.54	-	-	-
Retirement Funds	7	33,950	5.77	-	-	-
Others	6	180,028	30.60	-	-	-
	<b>581</b>	<b>588,504</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

Category	NICPP - I			NICPP - I		
Individuals	1,051	1,070,219	60.71	-	-	-
Retirement Funds	13	552,990	31.37	-	-	-
Others	20	139,379	7.92	-	-	-
	<b>1,084</b>	<b>1,762,588</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

Category	NICPP - II			NICPP - II		
Individuals	1,017	793,181	92.98	-	-	-
Retirement Funds	7	40,596	4.76	-	-	-
Others	16	19,214	2.26	-	-	-
	<b>1,040</b>	<b>852,991</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 64th, 65th, 66th, 67th Board meetings were held on 15 September 2017, 27 October 2017, 22 February 2018, 30 April 2018, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held during tenure of directorship	Attended	Leave granted	
Mr. Mudassir Hussain Khan	4	4	-	-
Mr. Tariq Jamali	4	3	1	-
Mr. Abdul Hadi Palekar	4	4	-	67th meeting
Mr. Lui Mang Yin (Martin Lui) (note 23.2)	2*	2	-	-
Mr. FOO Chiah Shiung (Kelvin Foo)	4	3	1	65th meeting
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	4	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan [note 23.1]	-*	-	-	-
Dr. Amjad Waheed	4	4	-	-

**23.1** Mr. Wajahat Rasul Khan appointed as director on the Board with effect from 30 April 2018.

**23.2** Mr. Lui Mang Yin (Martin Lui) resigned as director on the Board with effect from 21 December 2017.

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

## 24 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of change in market accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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

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

The Fund primarily invests in a portfolio of shariah compliant equity funds and income funds. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

## **24.1 Market risk**

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

### ***Management of market risk***

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

### **24.1.1 Currency risk**

Currency risk is 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.

### **24.1.2 Interest rate risk**

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

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

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

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

Presently, the Fund does not hold any fixed rate instrument that exposes the Fund to any material profit rate risk.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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

24.1.2.1

	As At 30 June 2018					As At 30 June 2017						
	NIAAP-VI					NIAAP-VI						
	Yield / interest rate	Exposed to yield / interest rate risk				Total	Yield / interest rate	Exposed to yield / interest rate risk				Total
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk			
----- (Rupees in '000) -----												
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
Bank balances	5.5% - 6.55%	26,986	-	-	1,042	28,028	5.5% - 6.25%	67,860	-	-	780	68,640
Investments		422,322	-	-	-	422,322		828,864	-	-	-	828,864
Profit receivable on bank deposits		-	-	-	168	168		-	-	-	947	947
		<b>449,308</b>	-	-	<b>1,210</b>	<b>450,518</b>		<b>896,724</b>	-	-	<b>1,727</b>	<b>898,451</b>
<b>Financial liabilities</b>												
Payable to NBP Fund Management Limited - Management Company		-	-	-	1,421	1,421		-	-	-	4,109	4,109
Payable to Central Depository Company of Pakistan Limited - Pakistan Limited - Trustee		-	-	-	35	35		-	-	-	85	85
Payable against redemption of units		-	-	-	-	-		-	-	-	186	186
Accrued expenses and other liabilities		-	-	-	379	379		-	-	-	184	184
		-	-	-	1,835	1,835		-	-	-	4,564	4,564
<b>On-balance sheet gap</b>		<b>449,308</b>	-	-	<b>(625)</b>	<b>448,683</b>		<b>896,724</b>	-	-	<b>(2,837)</b>	<b>893,887</b>
<b>Off-balance sheet financial instruments</b>												
<b>Off-balance sheet gap</b>		-	-	-	-	-		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		<b>449,308</b>	-	-	<b>(625)</b>	<b>448,683</b>		<b>896,724</b>	-	-	<b>(2,837)</b>	<b>893,887</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>449,308</b>	<b>449,308</b>	<b>449,308</b>				<b>896,724</b>	<b>896,724</b>	<b>896,724</b>		

24.1.2.2

	NIAAP-VII					NIAAP-VII						
	Yield / interest rate	Exposed to yield / interest rate risk				Total	Yield / interest rate	Exposed to yield / interest rate risk				Total
		Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		
----- (Rupees in '000) -----												
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
Bank balances	5.5% - 6.55%	11,646	-	-	1	11,647	5.5% - 6.25%	176,697	-	-	-	176,697
Investments		184,774	-	-	-	184,774		92,805	-	-	-	92,805
Profit receivable on bank deposits		-	-	-	74	74		-	-	-	36	36
Other receivable		-	-	-	8	8		-	-	-	3	3
		<b>196,420</b>	-	-	<b>83</b>	<b>196,503</b>		<b>269,502</b>	-	-	<b>39</b>	<b>269,541</b>
<b>Financial liabilities</b>												
Payable to NBP NBP Fund Management Limited - Management Company		-	-	-	565	565		-	-	-	2,296	2,296
Payable to Central Depository Company of Pakistan Limited - Pakistan Limited - Trustee		-	-	-	15	15		-	-	-	1	1
Payable against purchase of investment		-	-	-	-	-		-	-	-	92,805	92,805
Accrued expenses and other liabilities		-	-	-	272	272		-	-	-	69	69
		-	-	-	852	852		-	-	-	95,171	95,171
<b>On-balance sheet gap</b>		<b>196,420</b>	-	-	<b>(769)</b>	<b>195,651</b>		<b>269,502</b>	-	-	<b>(95,132)</b>	<b>174,370</b>
<b>Off-balance sheet financial instruments</b>												
<b>Off-balance sheet gap</b>		-	-	-	-	-		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		<b>196,420</b>	-	-	<b>(769)</b>	<b>195,651</b>		<b>269,502</b>	-	-	<b>(95,132)</b>	<b>174,370</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>196,420</b>	<b>196,420</b>	<b>196,420</b>				<b>269,502</b>	<b>269,502</b>	<b>269,502</b>		

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## On-balance sheet financial instruments

### Financial assets

Bank balances
Investments
Profit receivable on bank deposits
Other receivable

### Financial liabilities

Payable to NBP NBP Fund Management Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investment
Accrued expenses and other liabilities

## On-balance sheet gap

## Off-balance sheet financial instruments

## Off-balance sheet gap

## Total interest rate sensitivity gap

## Cumulative interest rate sensitivity gap

24.1.2.4

## On-balance sheet financial instruments

### Financial assets

Bank balances
Investments
Profit receivable on bank deposits
Other receivable

### Financial liabilities

Payable to NBP NBP Fund Management Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investment
Accrued expenses and other liabilities

## On-balance sheet gap

## Off-balance sheet financial instruments

## Off-balance sheet gap

## Total interest rate sensitivity gap

## Cumulative interest rate sensitivity gap

As at 30 June 2018					
NIAAP-VIII					
Yield / interest rate	Exposed to yield / interest rate risk				Total
	Upto three months	More than three months and	More than one year	Not exposed to Yield /	
(Rupees in '000)					
5.5% - 6.55%	38,084	-	-	122	38,206
	551,446	-	-	-	551,446
	-	-	-	214	214
	-	-	-	6	6
	589,530	-	-	342	589,872
	-	-	-	579	579
	-	-	-	45	45
	-	-	-	-	-
	-	-	-	324	324
	-	-	-	948	948
	589,530	-	-	(606)	588,924
	-	-	-	-	-
	-	-	-	-	-
	589,530	-	-	(606)	588,924
	589,530	589,530	589,530		

As at 30 June 2018					
NICPP - I					
Yield / interest rate	Exposed to yield / interest rate risk				Total
	Upto three months	More than three months and up to one	More than one year	Not exposed to Yield / Interest risk	
(Rupees in '000)					
6.0% - 6.55%	104,858	-	-	692	105,550
	1,658,717	-	-	-	1,658,717
	-	-	-	599	599
	-	-	-	39	39
	1,763,575	-	-	1,330	1,764,905
	-	-	-	1,491	1,491
	-	-	-	149	149
	-	-	-	-	-
	-	-	-	203	203
	-	-	-	1,843	1,843
	1,763,575	-	-	(513)	1,763,062
	-	-	-	-	-
	-	-	-	-	-
	1,763,575	-	-	(513)	1,763,062
	1,763,575	1,763,575	1,763,575		

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

24.1.2.5

Yield / interest rate	As at 30 June 2018				Total
	NICPP - II				
	Exposed to yield / interest rate risk				
	Upto three months	More than three months and	More than one year	Not exposed to Yield /	
	(Rupees in '000)				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	802,136	-	-	923	803,059
Investments	46,914	-	-	-	46,914
Profit receivable on bank deposits	-	-	-	4,541	4,541
Other receivable	-	-	-	-	-
	<b>849,050</b>	-	-	<b>5,464</b>	<b>854,514</b>
<b>Financial liabilities</b>					
Payable to NBP NBP Fund Management Limited - Management Company	-	-	-	1,933	1,933
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	67	67
Payable against purchase of investment	-	-	-	-	-
Accrued expenses and other liabilities	-	-	-	156	156
	-	-	-	<b>2,156</b>	<b>2,156</b>
<b>On-balance sheet gap</b>	<b>849,050</b>	-	-	<b>3,308</b>	<b>852,358</b>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-
<b>Total interest rate sensitivity gap</b>	<b>849,050</b>	-	-	<b>3,308</b>	<b>852,358</b>
<b>Cumulative interest rate sensitivity gap</b>	<b>849,050</b>	<b>849,050</b>	<b>849,050</b>		

## 24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of change in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently allocation plans are exposed to price risk due to their investment in the units of mutual funds. In case of 5% increase / (decrease) in the Net Asset Value per unit of the funds i.e. NAFA Islamic Active Allocation Equity Fund, NAFA Active Allocation Riba Free Savings Fund and NAFA Money Market Fund, the net income of the NIAAP - VI, NIAAP - VII, NIAAP - VIII, NICPP - I and NICPP - II would increase / (decrease) by Rs. 21.116 million, Rs. 9.239 million, Rs. 27.572 million, Rs. 82.936 million, Rs. 2.346 million [2017: Rs. 41.443 million (NIAAP - VI) and Rs. 4.640 million (NIAAP - VII)] respectively and net asset NIAAP - VI, NIAAP - VII, NIAAP - VIII, NICPP - I and NICPP - II (decrease) by the same amount as a result of gains / (losses) on these securities at 'fair value through profit and loss.

## 24.2 Credit risk

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

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2018 and 30 June 2017.

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2018 and 30 June 2017.

Bank Balances	As at 30 June 2018					
	NIAAP-VI	NIAAP-VII	NIAAP-VIII	NICPP - I	NICPP - II	Total
	----- (Rupees in '000) -----					
AAA	16	3	3	15	492,213	492,250
AA+	-	-	-	-	-	-
AA-	1,776	144	749	105,535	310,846	419,050
A+	26,236	11,499	37,453	-	-	75,188
	<b>28,028</b>	<b>11,646</b>	<b>38,205</b>	<b>105,550</b>	<b>803,059</b>	<b>986,488</b>
	As at 30 June 2017					
Bank Balances	NIAAP-VI	NIAAP-VII	NIAAP-VIII	NICPP - I	NICPP - II	Total
	----- (Rupees in '000) -----					
AAA	5	-	-	-	-	5
AA+	3	5	-	-	-	8
AA-	1,776	39,342	-	-	-	41,118
A+	66,856	137,350	-	-	-	204,206
	<b>68,640</b>	<b>176,697</b>				<b>245,337</b>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2018 is the carrying amount of the financial assets.

## Concentration of credit risk

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

## 24.3 Liquidity risk

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

### Management of liquidity risk

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

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

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

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Maturity analysis for financial liabilities

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

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

	As At 30 June 2018				As At 30 June 2017			
	NIAAP - VI				NIAAP - VI			
	Upto three months	Over three months and upto one year	Over one year	Total	Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----								
<b>Financial Liabilities</b>								
Payable to NBP Fund Management Limited - Management Company	1,421	-	-	1,421	4,109	-	-	4,109
Payable to Central Depository Company of Pakistan Limited - Pakistan Limited - Trustee	35	-	-	35	85	-	-	85
Payable against redemption of units	-	-	-	-	186	-	-	186
Accrued expenses and other liabilities	379	-	-	379	184	-	-	184
	<b>1,835</b>	<b>-</b>	<b>-</b>	<b>1,835</b>	<b>4,564</b>	<b>-</b>	<b>-</b>	<b>4,564</b>
Unit holders' fund	<b>448,306</b>	<b>-</b>	<b>-</b>	<b>448,306</b>	<b>893,904</b>	<b>-</b>	<b>-</b>	<b>893,904</b>

	As At 30 June 2018				As At 30 June 2017			
	NIAAP - VII				NIAAP - VII			
	Upto three months	Over three months and upto one year	Over one year	Total	Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----								
<b>Financial Liabilities</b>								
Payable to NBP Fund Management Limited - Management Limited	565	-	-	565	2,296	-	-	2,296
Payable to Central Depository Company of Pakistan Limited - Pakistan Limited - Trustee	15	-	-	15	1	-	-	1
Payable against purchase of investment	-	-	-	-	92,805	-	-	92,805
Accrued expenses and other liabilities	272	-	-	272	69	-	-	69
	<b>852</b>	<b>-</b>	<b>-</b>	<b>852</b>	<b>95,171</b>	<b>-</b>	<b>-</b>	<b>95,171</b>
Unit holders' fund	<b>195,469</b>	<b>-</b>	<b>-</b>	<b>195,469</b>	<b>174,557</b>	<b>-</b>	<b>-</b>	<b>174,557</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## Financial Liabilities

Payable to NBP Fund Management Limited - Management Company  
Payable to Central Depository Company of Pakistan Limited - Trustee  
Accrued expenses and other liabilities

Unit holders' fund

## Financial Liabilities

Payable to NBP Fund Management Limited - Management Company  
Payable to Central Depository Company of Pakistan Limited - Trustee  
Accrued expenses and other liabilities

Unit holders' fund

## Financial Liabilities

Payable to NBP Fund Management Limited - Management Company  
Payable to Central Depository Company of Pakistan Limited - Trustee  
Accrued expenses and other liabilities

Unit holders' fund

As At 30 June 2018			
NIAAP - VIII			
Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----			
579	-	-	579
45	-	-	45
324	-	-	324
<b>948</b>	<b>-</b>	<b>-</b>	<b>948</b>
<b>588,504</b>	<b>-</b>	<b>-</b>	<b>588,504</b>

As At 30 June 2018			
NICPP - I			
Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----			
1,491	-	-	1,491
149	-	-	149
203	-	-	203
<b>1,843</b>	<b>-</b>	<b>-</b>	<b>1,843</b>
<b>1,762,589</b>	<b>-</b>	<b>-</b>	<b>1,762,589</b>

As At 30 June 2018			
NICPP - II			
Upto three months	Over three months and upto	Over one year	Total
----- (Rupees in '000) -----			
1,933	-	-	1,933
67	-	-	67
156	-	-	156
<b>2,156</b>	<b>-</b>	<b>-</b>	<b>2,156</b>
<b>852,992</b>	<b>-</b>	<b>-</b>	<b>852,992</b>

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## 25 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

		30 June 2018						
		NIAAP-VI						
		Carrying value			Fair value			
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
<i>Investments</i>								
Mutual funds - related parties	422,322	-	-	422,322	-	422,322	-	422,322
<b>Financial assets not measured at fair value</b>								
25.1 Bank balances	-	28,028	-	28,028	-	-	-	-
Profit receivable on bank deposits	-	168	-	168	-	-	-	-
	-	28,196	-	28,196	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
25.1 Payable to NBP Fund Management Limited - Management Company	-	-	1,421	1,421	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Pakistan Limited - Trustee	-	-	35	35	-	-	-	-
Accrued expenses and other liabilities	-	-	379	379	-	-	-	-
	-	-	1,835	1,835	-	-	-	-

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

		30 June 2017							
		NIAAP-VI							
		Carrying value			Fair value				
		At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
<i>Investments</i>									
	Mutual funds - related parties	828,864	-	-	828,864	-	828,864	-	828,864
<b>Financial assets not measured at fair value</b>									
25.1	Bank balances	-	68,640	-	68,640	-	-	-	-
	Profit receivable on bank deposits	-	947	-	947	-	-	-	-
		-	69,587	-	69,587	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
25.1	Payable to NBP Fund Management Company	-	-	4,109	4,109	-	-	-	-
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	85	85	-	-	-	-
	Payable against redemption of units	-	-	186	186	-	-	-	-
	Accrued expenses and other liabilities	-	-	184	184	-	-	-	-
		-	-	4,564	4,564	-	-	-	-
		<b>As at 30 June 2018</b>							
		NIAAP-VII							
		Carrying value			Fair value				
		At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
<i>Investments</i>									
	Mutual funds - related parties	184,774	-	-	184,774	-	184,774	-	184,774
<b>Financial assets not measured at fair value</b>									
25.1	Bank balances	-	11,647	-	11,647	-	-	-	-
	Profit receivable on bank deposits	-	74	-	74	-	-	-	-
	Advance and other receivable	-	8	-	8	-	-	-	-
		-	11,729	-	11,729	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
25.1	Payable to NBP Fund Management Limited - Management Company	-	-	565	565	-	-	-	-
	Payable to Central Depository Company of Pakistan Limited - Pakistan Limited - Trustee	-	-	15	15	-	-	-	-
	Payable against purchase of investment	-	-	-	-	-	-	-	-
	Accrued expenses and other liabilities	-	-	272	272	-	-	-	-
		-	-	852	852	-	-	-	-

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

As at 30 June 2017							
NIAAP-VII							
Carrying value				Fair value			
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
Mutual funds - related parties							
	92,805	-	92,805	-	92,805	-	92,805
Financial assets not measured at fair value							
Bank balances							
Profit receivable on bank deposits							
Advance and other receivable							
	-	176,697	176,697	-	-	-	-
	-	36	36	-	-	-	-
	-	3	3	-	-	-	-
	-	176,736	176,736	-	-	-	-
Financial liabilities not measured at fair value							
Payable to NBP Fund Management Company							
Payable to Central Depository Company of Pakistan Limited - Trustee							
Payable against purchase of investment							
Accrued expenses and other liabilities							
	-	2,296	2,296	-	-	-	-
	-	1	1	-	-	-	-
	-	92,805	92,805	-	-	-	-
	-	69	69	-	-	-	-
	-	95,171	95,171	-	-	-	-
As at 30 June 2018							
NIAAP-VIII							
Carrying value				Fair value			
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
Mutual funds - related parties							
	551,446	-	551,446	-	551,446	-	551,446
Financial assets not measured at fair value							
Bank balances							
Profit receivable on bank deposits							
Advance and other receivable							
	-	38,206	38,206	-	-	-	-
	-	214	214	-	-	-	-
	-	6	6	-	-	-	-
	-	38,426	38,426	-	-	-	-
Financial liabilities not measured at fair value							
Payable to NBP Fund Management Company							
Payable to Central Depository Company of Pakistan Limited - Trustee							
Accrued expenses and other liabilities							
	-	579	579	-	-	-	-
	-	45	45	-	-	-	-
	-	324	324	-	-	-	-
	-	948	948	-	-	-	-



# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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

## **26 UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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

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

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

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of change in market maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## **27 SUBSEQUENT EVENT - NON ADJUSTING**

The Management Company on 04 July 2018 has declared distribution of Rs. 0.3642 and 0.5747 per unit for NAFA - Islamic Capital Preservation Plan I (NICPP - I) and NAFA - Islamic Capital Preservation Plan II (NICPP II) (for full year) respectively. The aggregate cash distribution is Rs. 6.396 million and Rs. 4.874 million for NAFA - Islamic Capital Preservation Plan I (NICPP - I) and NAFA - Islamic Capital Preservation Plan II (NICPP II) respectively.

The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

## **28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 05, 2018.

## **29 GENERAL**

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

## PERFORMANCE TABLE

Particulars	2018					2017	
	NIAAP VI For the year ended June 30, 2018	NIAAP VII For the year ended June 30, 2018	NIAAP VIII For the year ended June 30, 2018	NICPP-I For the year ended June 30, 2018	NICPP-II For the year ended June 30, 2018	NIAAP VI For the year ended June 30, 2017	NIAAP VII For the year ended June 30, 2017
Net assets at the year / period ended (Rs '000)	448,306	195,469	588,504	1,762,589	852,992	893,904	174,577
Net (Loss) / income for the year / period ended (Rs '000)	(64,783)	(14,291)	4,925	8,082	5,161	(52,476)	(41)
Net Asset Value per unit at the year / period ended (Rs)	87.0647	93.4852	100.3081	100.3672	100.5769	94.4551	99.9773
Offer Price per unit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Redemption Price per unit	87.0647	93.4852	100.3081	100.3672	100.5769	94.4551	99.9773
Ex - Highest offer price per unit (Rs.)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ex - Lowest offer price per unit (Rs.)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ex - Highest redemption price per unit (Rs.)	95.8903	100.9567	105.6002	100.7581	100.6673	100.0068	100.0000
Ex - Lowest redemption price per unit (Rs.)	82.6638	89.1658	98.3967	99.4565	100.0000	92.8764	99.9773
Opening Nav of Fiscal Year	94.4551	99.9773	100.0000	99.6371	100.0000	100.0000	100.0000
Total return of the fund	-7.82%	-6.49%	0.31%	0.37%	0.56%	-5.54%	-0.02%
Capital growth				0.00%	0.00%		
Income distribution as % of Ex nav				0.36%	0.57%		
Income distribution as % of Par nav				0.36%	0.57%		
<b>Distribution</b>							
Interim distribution per unit							
Final distribution per unit				0.3642	0.5747		
<b>Distribution Dates</b>							
Interim							
Final				4-Jul-18	4-Jul-18		
<b>Average annual return of the fund (launch date May 26, 2015)</b>							
(Since inception to June 30, 2018)	-11.87%	-6.50%	0.31%	0.37%	0.56%	-5.54%	-0.02%
(Since inception to June 30, 2017)							
(Since inception to June 30, 2016)							
Portfolio Composition ( Please see Fund Manager Report)							








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



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