



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

NAFA RIBA FREE SAVINGS FUND

ANNUAL REPORT 2014



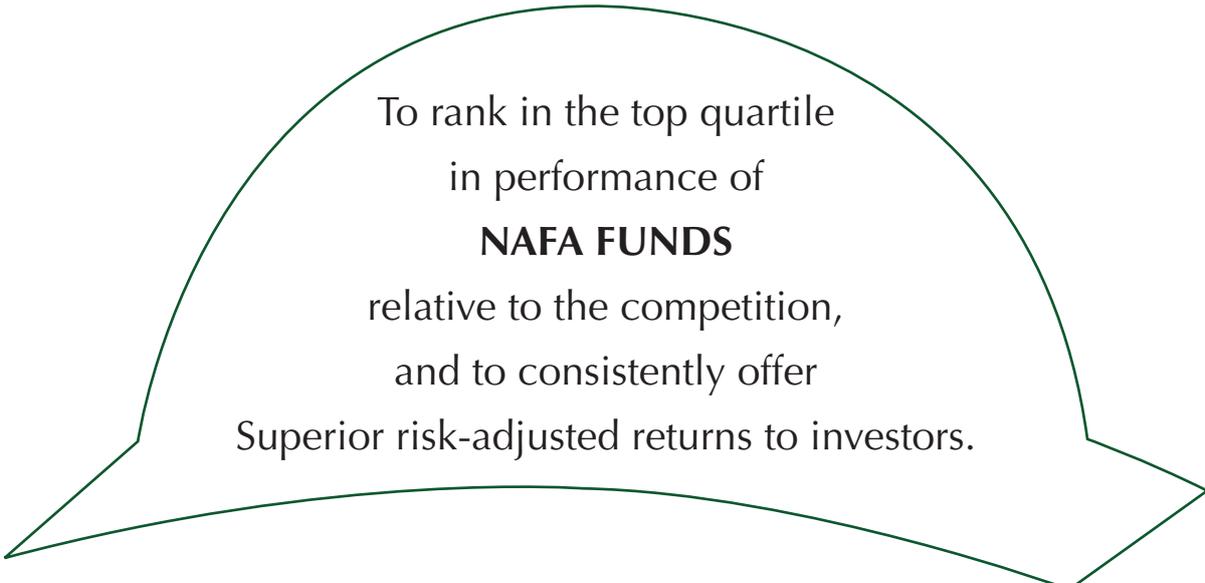
Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA RIBA FREE SAVINGS FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

Trustee

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

Bankers to the Fund

Al-Baraka Islamic Bank Limited
Bank Alfalah Limited
Burj Bank Limited
Habib Bank Limited
Meezan Bank Limited
United Bank Limited
Summit Bank Limited
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
BankIslami Pakistan Limited
MCB Bank Limited
Silk Bank Limited
Dubai Islamic Bank Pakistan Limited

NAFA RIBA FREE SAVINGS FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA RIBA FREE SAVINGS FUND

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Board of Directors



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Wah Geok Sum
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



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



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. Zeeshan
Chief – Strategy &
Business Development



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing & Sales



Mr. Ozair Khan
Chief Technology Officer



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



Mr. Ahmad Nouman CFA, PRM
Head of Risk Management



Syed Suleman Akhtar CFA
Head of Research



Mr. Tahir Lateef
Head of Internal Audit

NAFA RIBA FREE SAVINGS FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Fourth Annual Report of NAFA Riba Free Savings Fund for the year ended June 30, 2014.

Fund's Performance

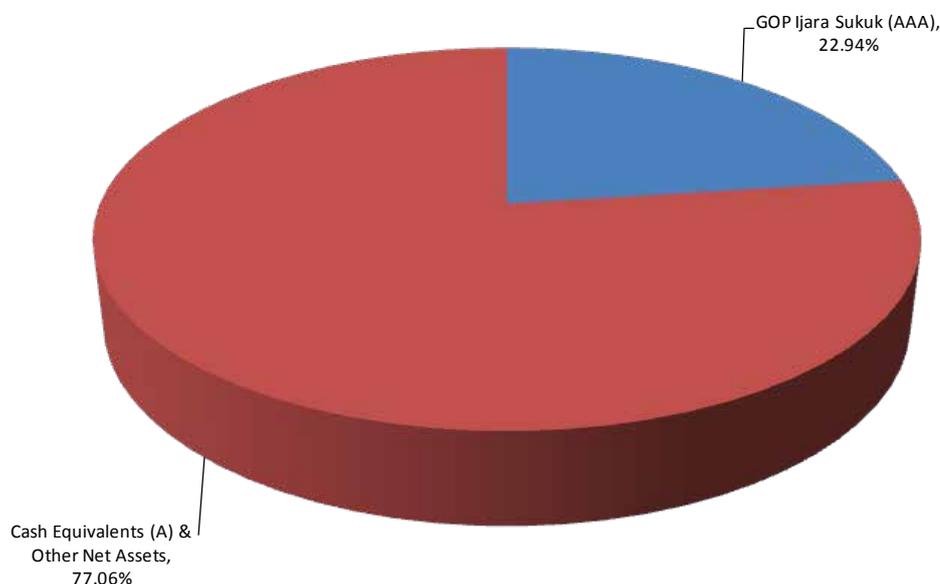
The size of NAFA Riba Free Savings Fund has decreased from Rs. 3,028 million to Rs. 1,657 million during the period, i.e. a decline of 45.28%. During the period, the unit price of the Fund has increased from Rs. 9.3719 (Ex - Div) on June 30, 2013 to Rs. 10.1045 on June 30, 2014, thus posting a return of 7.82% as compared to its Benchmark (Average 6-Month Deposit Rate of A- and above rated Islamic banks) return of 6.75% for the same period. The return of the Fund is net of management fee and all other expenses.

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

The State Bank of Pakistan increased the policy rate by 100bps to 10% during first half of FY14, citing downside risks to the external account, depleting FX reserves, and rising inflation expectations. However, since then positive developments were witnessed in the form of (i) a sharp recovery of Pak rupee against the US dollar, due to significant improvement in forex reserves bolstered by aid from Saudi Arabia, extremely successful Eurobond issue, auction of 3G and 4G licenses, two large SPOs and higher loan receipts; and (ii) Inflation as measured by CPI clocked in at 8.6%, significantly below initial projections of 11-12%, due to subdued commodity prices, lower money supply growth and strong rupee performance in the second half of the fiscal year.

Increasing demand of shariah compliant investment avenues coupled with scarcity of new issuance pushed up the prices of quality issues resulting in depressed yields. Trading activity in the corporate sukuks slightly improved during the period under review.

The Fund has earned a total income of Rs.304.29 million during the year. After deducting total expenses of Rs.65.49 million, the net income is Rs.238.80 million. The asset allocation of NAFA Riba Free Savings Fund as on June 30, 2014 is as follows:



NAFA RIBA FREE SAVINGS FUND

Income Distribution

The Board of Directors of the Management Company has approved distribution of 7.4% of opening ex-NAV (7.47% of the par value) during the year.

Taxation

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

Auditors

The present auditors, Messrs A.F.Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ended June 30, 2015.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held six meetings during the period. The attendance of all directors is disclosed in the note 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 21 to these financial statements.

NAFA RIBA FREE SAVINGS FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 16, 2014
Place: Karachi.

NAFA RIBA FREE SAVINGS FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA RIBA FREE SAVINGS FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Riba Free Savings Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from September 04, 2013 to June 30, 2014 in accordance with the provisions of the following:

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

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

Karachi: October 10, 2014

NAFA RIBA FREE SAVINGS FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA RIBA FREE SAVINGS FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA RIBA Free Savings Fund, an open-end Scheme established under a Trust Deed dated June 29, 2010 executed between NBP Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on July 14, 2010.

CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee with effect from January 11, 2013. Thereafter, on September 04, 2013 CDC was reappointed as the new trustee of the Fund, after MCBFSL retired on the prior day and the supplemental trust deed was signed on July 29, 2013.

1. NBP Fullerton Asset Management Limited, the Management Company of NAFA RIBA Free Savings Fund has in all material respects managed NAFA RIBA Free Savings Fund during the period from July 01, 2013 to September 03, 2013 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

Karachi: October 14, 2014

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA RIBA FREE SAVINGS FUND FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2014, the Board included:

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

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy was occurred on the board on October 10, 2013 which was filled up on the same date.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

NAFA RIBA FREE SAVINGS FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities the Code requires every listed company to conduct formal orientation for directors. As per the Code, by June 30, 2014 a minimum of two directors should have attended director training program. As at year end, one of the directors has attended the director's training program offered by Pakistan Institute of Corporate Governance. The Company has started the process for training of other directors and it is expected that some of other directors may also obtain certification of the director's training program in the next year. However, the directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. There was no new appointment of the Chief Financial Officer (CFO) and Company Secretary during the year. However, the Head of Internal Audit left the Company on March 07, 2014 and in his place a new appointment was made on April 08, 2014 with the approval of audit and risk committee including remuneration and terms and conditions. The appointment of the Head of Internal Audit has been ratified by the Board in its meeting held on September 16, 2014, subsequent to the year end.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 19 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is a non-independent director.

NAFA RIBA FREE SAVINGS FUND

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

For and behalf of the board

Karachi
September 16, 2014

Dr. Amjad Waheed
Chief Executive Officer

NAFA RIBA FREE SAVINGS FUND

FUND MANAGER REPORT

NAFA Riba Free Savings Fund

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

Investment Objective of the Fund

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

Benchmark

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

Fund Performance Review

This is the fourth Annual report since the launch of the Fund on August 21, 2010. The Fund size decreased by 45.28% during FY14 and stands at Rs 1,657 million as on June 30, 2014. The Fund has posted an annualized return of 9.41% since its inception versus the benchmark return of 7.58%. During FY14 the Fund posted a return of 7.82% as compared to the benchmark return of 6.75%. This translates into an out-performance of 1.07% p.a. %. This out-performance is net of management fee and all other expenses. Thus the Fund has achieved its investment objectives.

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

State Bank of Pakistan increased the policy rate to 10% from 9% during FY14 premised on rising inflation expectation, pressure on external account and reduction in FX reserves. However, in the second half of FY 14, significant improvement was observed in the external account mainly due to aid from Saudi Arabia, issuances of Eurobond, successful SPOs of UBL & PPL and auction of 3G & 4G licenses. This resulted in unexpected recovery of Pak rupee against the US dollar. Inflation also remained below initial projections due to lower money supply growth and depressed commodity prices. However, State Bank of Pakistan restrained from easing policy rate highlighting law and order situation and power shortages as the prime factors affecting investment in economy.

Increasing demand of shariah compliant investment avenues coupled with scarcity of new issuance pushed up the prices of quality issues resulting in depressed yields. Trading activity in the corporate sukuks slightly improved during the period under review.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-14	30-Jun-13
Cash Equivalents & Other Assets including receivables	77.06%	74.75%
GOP Ijara Sukuk	22.94%	18.71%
Islamic Money Market Placements	-	6.54%
Total	100.00%	100.00%

NAFA RIBA FREE SAVINGS FUND

Distribution for the Financial Year 2014

Month	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Jul-13	0.6050%	10.1412	10.0807
Aug-13	0.6050%	10.1387	10.0782
Sep-13	0.6260%	10.1393	10.0767
Oct-13	0.6260%	10.1400	10.0774
Nov-13	0.6050%	10.1454	10.0849
Dec-13	0.6260%	10.1456	10.0830
Jan-14	0.6560%	10.1535	10.0879
Feb-14	0.6560%	10.1553	10.0897
Mar-14	0.5950%	10.1566	10.0971
Apr-14	0.6360%	10.1603	10.0967
May-14	0.6260%	10.1603	10.0977
Jun-14	0.6050%	10.1556	10.0951

Unit Holding Pattern of NAFA Riba Free Savings Fund as on 30th June 2014

Size of Unit Holding (Units)	# of Unit Holders
1-1000	158
1001-5000	164
5001-10000	114
10001-50000	403
50001-100000	204
100001-500000	173
500001-1000000	17
1000001-5000000	11
5000001-10000000	2
10000001-100000000	2
	1248

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NAFA Riba Free Savings Fund does not have any soft commission arrangement with any broker in the industry.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 8,813,444. If the same were not made the NAV per unit/ FY 2014 return of scheme would be higher by Rs. 0.0537/0.57%. For details investors are advised to read note 15 of the Financial Statements of the Scheme for the period ended June 30, 2014.

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Riba Free Savings Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its placements made during the period July 01, 2013 to June 30, 2014. This has been duly confirmed by the Shariah Advisor of the Fund.

Date: September 16, 2014
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA RIBA FREE SAVINGS FUND

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

September 15, 2014/Dhul-Qa'dah 19, 1435 A.H

Alhamdulillah, the period from July 1, 2013 to June 30, 2014 was the fourth year of the operations of NAFA Riba Free Savings Fund (NRFSF). This report is being issued in accordance with clause 5.D.1 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NRFSF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NRFSF by NAFA are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NRFSF for the period ended June 30, 2014 are not in compliance with Shari'ah principles.

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

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

Bilal Ahmed Qazi
Shar'iah Advisor

NAFA RIBA FREE SAVINGS FUND

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

We have performed an independent assurance engagement of **NAFA Riba Free Savings Fund**, (the Fund) to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2014. Our engagement was carried out as required under clause 3A.3 of the Trust Deed of the Fund.

Management Company's responsibility

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

Responsibility of an independent assurance provider

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

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

- Check compliance of specific guidelines for making investments of the Fund.
- Check that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2014 are in compliance with the Shariah Principles.

Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended June 30, 2014.

A.F. Ferguson & Co. Chartered Accountants
Dated: September 18, 2014
Karachi

NAFA RIBA FREE SAVINGS FUND

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Riba Free Savings Fund** (the Fund) for the year ended June 30, 2014 to comply with the Listing Regulation No.35 (Chapter XI) of the Lahore Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2014.

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

Paragraph reference	Description
9	Upto June 30, 2014, only one director has obtained the director's training program as against the requirement of at least two directors till June 30, 2014.
21	No closed period was determined prior to the announcement of interim / final results.
23	The Management Company has not set up a mechanism for the annual evaluation of the Board's own performance.

A.F. Ferguson & Co. Chartered Accountants
Dated: September 16, 2014
Karachi

NAFA RIBA FREE SAVINGS FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Riba Free Savings Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2014, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

A.F. Ferguson & Co. Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 18, 2014
Karachi

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
ASSETS			
Cash and bank balances	4	2,791,207	739,483
Investments	5	380,159	764,718
Profit receivable	6	23,889	18,733
Preliminary expenses and floatation costs	7	230	431
Security deposit		200	200
Prepayments and other receivables		121	100
Receivable against issue of units		-	1,513,571
Total assets		3,195,806	3,037,236
LIABILITIES			
Payable to the Management Company	8	7,896	3,039
Payable to the Trustee	9	270	132
Payable to the Securities and Exchange Commission of Pakistan	10	2,381	930
Payable against redemption of units	17.1	1,517,502	200
Accrued expenses and other liabilities	11	10,727	4,488
Total liabilities		1,538,776	8,789
NET ASSETS		1,657,030	3,028,447
UNITHOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,657,030	3,028,447
CONTINGENCIES AND COMMITMENTS	12		
		-----Number of units-----	
NUMBER OF UNITS IN ISSUE	17	163,990,074	300,153,817
		-----Rupees-----	
NET ASSET VALUE PER UNIT	3.10	10.1045	10.0897

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
INCOME			
Profit on bank deposits	13	248,756	43,965
Income from investment in GoP Ijarah Sukuks		49,162	55,250
Income from investment in sukuk certificates		-	26,020
Capital (loss) / gain on sale of investments - net		(439)	213
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.3	6,816	698
Total income		<u>304,295</u>	<u>126,146</u>
EXPENSES			
Remuneration of the Management Company	8.1	39,680	15,507
Sindh Sales Tax on Management Company's remuneration		7,390	2,481
Federal Excise Duty on Management Company's remuneration	8.2	6,349	156
Remuneration of the Trustee	9.1	3,420	1,640
Annual fee - Securities and Exchange Commission of Pakistan	10.1	2,381	930
Amortisation of preliminary expenses and floatation costs	7	201	201
Auditors' remuneration	14	514	467
Listing fee		40	40
Rating fee		221	220
Printing charges		109	33
Legal fee		96	55
Securities transaction cost		30	39
Bank charges		189	317
Total expenses		<u>60,620</u>	<u>22,086</u>
Net income from operating activities		<u>243,675</u>	<u>104,060</u>
Provision for Workers' Welfare Fund	15	(4,873)	(2,081)
Net income for the year before taxation		<u>238,802</u>	<u>101,979</u>
Taxation	16	-	-
Net income for the year after taxation		<u><u>238,802</u></u>	<u><u>101,979</u></u>
Earnings per unit	3.11		

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Net income for the year after taxation	238,802	101,979
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>238,802</u>	<u>101,979</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Rupees in '000)	2013 (Rupees in '000)
Undistributed income brought forward		
Realised income	6,309	3,676
Unrealised income / (loss)	698	(1,432)
	<u>7,007</u>	<u>2,244</u>
Net income for the year	238,802	101,979
- Re.0.0605 per unit declared on July 30, 2013 (2013 : Re.0.0826 per unit declared on July 30, 2012)		
- Cash Distribution	(9,076)	-
- Issue of bonus units	(10,042)	(7,586)
- Re.0.0605 per unit declared on August 29, 2013 (2013 : Re.0.0816 per unit declared on August 28, 2012)		
- Cash Distribution	(9,076)	-
- Issue of bonus units	(10,468)	(7,639)
- Re.0.0626 per unit declared on September 27, 2013 (2013 : Re.0.0756 per unit declared on September 28, 2012)		
- Cash Distribution	(9,392)	(1)
- Issue of bonus units	(11,500)	(8,329)
- Re.0.0626 per unit declared on October 29, 2013 (2013 : Re.0.0705 per unit declared on October 30, 2012)		
- Cash Distribution	(9,392)	(1)
- Issue of bonus units	(11,666)	(7,776)
- Re.0.0605 per unit declared on November 28, 2013 (2013 : Re.0.0705 per unit declared on November 28, 2012)		
- Cash Distribution	(9,076)	-
- Issue of bonus units	(11,011)	(8,236)
- Re.0.0626 per unit declared on December 27, 2013 (2013 : Re.0.0685 per unit declared on December 28, 2012)		
- Cash Distribution	-	(1)
- Issue of bonus units	(21,282)	(8,415)
- Re.0.0656 per unit declared on January 29, 2014 (2013 : Re.0.0705 per unit declared on January 29, 2013)		
- Cash Distribution	-	(5)
- Issue of bonus units	(22,217)	(9,158)
- Re.0.0656 per unit declared on February 28, 2014 (2013 : Re.0.0604 per unit declared on February 27, 2013)		
- Cash Distribution	(2)	-
- Issue of bonus units	(19,497)	(8,128)
- Re.0.0595 per unit declared on March 28, 2014 (2013 : Re.0.0604 per unit declared on March 28, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(16,236)	(8,095)
- Re.0.0636 per unit declared on April 29, 2014 (2013 : Re.0.0604 per unit declared on April 29, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(18,257)	(8,671)
- Re.0.0626 per unit declared on May 28, 2014 (2013 : Re.0.0625 per unit declared on May 29, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(16,975)	(9,202)
- Re.0.0605 per unit declared on June 26, 2014 (2013 : Re.0.0655 per unit declared on June 28, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(16,365)	(9,720)
Element of income and capital gains included in the prices of units issued less those in units redeemed	(4,847)	3,747
Undistributed income carried forward	<u>9,432</u>	<u>7,007</u>
Undistributed income comprising:		
Realised income	2,616	6,309
Unrealised income	6,816	698
	<u>9,432</u>	<u>7,007</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Rupees in '000)	2013
Net assets at the beginning of the year	3,028,447	872,005
Issue of 257,859,172 units including 18,389,450 bonus units (2013: 295,919,960 units including 10,022,736 bonus units)	2,422,408	2,886,860
Redemption of 394,022,915 units (2013: 82,327,434 units)	(3,986,613)	(832,389)
	(1,564,205)	2,054,471
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	6,816	698
Capital gain on sale of investments - net	(439)	213
Other income (net of expenses) for the year	232,425	101,068
	238,802	101,979
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed are transferred to distribution statement	4,847	(3,747)
Less: Distributions of bonus units during the year		
Interim Distribution	185,516	100,955
- Re.0.0603 per unit declared on July 30, 2013 (2013 : Re.0.0823 per unit declared on July 29, 2012)		
- Cash Distribution	(9,076)	-
- Issue of bonus units	(10,042)	(7,586)
- Re.0.0653 per unit declared on August 29, 2013 (2013 : Re.0.0803 per unit declared on August 27, 2012)		
- Cash Distribution	(9,076)	-
- Issue of bonus units	(10,468)	(7,639)
- Re.0.0623 per unit declared on September 27, 2013 (2013 : Re.0.0803 per unit declared on September 27, 2012)		
- Cash Distribution	(9,392)	(1)
- Issue of bonus units	(11,500)	(8,329)
- Re.0.0613 per unit declared on October 29, 2013 (2013 : Re.0.0753 per unit declared on October 29, 2012)		
- Cash Distribution	(9,392)	(1)
- Issue of bonus units	(11,666)	(7,776)
- Re.0.0623 per unit declared on November 28, 2013 (2013 : Re.0.0703 per unit declared on November 27, 2012)		
- Cash Distribution	(9,076)	-
- Issue of bonus units	(11,011)	(8,236)
- Re.0.0623 per unit declared on December 27, 2013 (2013 : Re.0.0683 per unit declared on December 27, 2012)		
- Cash Distribution	-	(1)
- Issue of bonus units	(21,282)	(8,415)
- Re.0.0663 per unit declared on January 29, 2014 (2013 : Re.0.0703 per unit declared on January 29, 2013)		
- Cash Distribution	-	(5)
- Issue of bonus units	(22,217)	(9,158)
- Re.0.0703 per unit declared on February 28, 2014 (2013 : Re.0.0653 per unit declared on February 27, 2013)		
- Cash Distribution	(2)	-
- Issue of bonus units	(19,497)	(8,128)
- Re.0.0583 per unit declared on March 28, 2014 (2013 : Re.0.0582 per unit declared on March 28, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(16,236)	(8,095)
- Re.0.0683 per unit declared on April 29, 2014 (2013 : Re.0.0602 per unit declared on April 29, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(18,257)	(8,671)
- Re.0.0653 per unit declared on May 28, 2014 (2013 : Re.0.0622 per unit declared on May 29, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(16,975)	(9,202)
- Re.0.0623 per unit declared on June 26, 2014 (2013 : Re.0.0653 per unit declared on June 28, 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(16,365)	(9,720)
	(231,530)	(100,963)
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount transferred to distribution statement	(4,847)	3,747
Net assets at the end of the year	<u>1,657,030</u>	<u>3,028,447</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		238,802	101,979
Adjustments for:			
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		(6,816)	(698)
Amortisation of preliminary expenses and floatation costs		201	201
		<u>232,187</u>	<u>101,482</u>
Decrease / (increase) in assets			
Investments - net		391,375	(148,138)
Security deposit		-	(100)
Profit receivable		(5,156)	(5,096)
Prepayments and other receivables		(21)	-
Receivable against issue of units		1,513,571	(1,513,571)
		<u>1,899,769</u>	<u>(1,666,905)</u>
Increase in liabilities			
Payable to the Management Company		4,857	1,998
Payable to the Trustee		138	47
Payable to Securities and Exchange Commission of Pakistan		1,451	445
Accrued expenses and other liabilities		6,239	1,383
		<u>12,685</u>	<u>3,873</u>
Net cash generated from / (used in) operating activities		<u>2,144,641</u>	<u>(1,561,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		2,422,408	2,886,860
Payments on redemption of units		(2,469,311)	(835,024)
Distributions paid		(46,014)	(8)
Net cash (used in) / generated from financing activities		<u>(92,917)</u>	<u>2,051,828</u>
Net increase in cash and cash equivalents during the year		<u>2,051,724</u>	<u>490,278</u>
Cash and cash equivalents at the beginning of the year		739,483	249,205
Cash and cash equivalents at the end of the year	4	<u><u>2,791,207</u></u>	<u><u>739,483</u></u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Riba Free Savings Fund (NRFSS / the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 14, 2010 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

On January 11, 2013, MCB Financial Services Limited (MCB-FSL) was appointed as the new Trustee of the Fund, after CDC retired on the prior day. The appointment of the new Trustee was made as per clause 21 of the Trust Deed and Regulation 42(3) of the NBFC and Notified Entities Regulations 2008. The supplemental Trust Deed of the Fund was signed on November 16, 2012. Thereafter, on September 4, 2013, CDC was re-appointed as the new Trustee of the Fund, after MCB-FSL retired on the prior day and the supplemental Trust Deed was signed on July 29, 2013.

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

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

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

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

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

NAFA RIBA FREE SAVINGS FUND

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been carried at fair value.

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available for sale

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

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

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

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

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to other 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.

NAFA RIBA FREE SAVINGS FUND

b) Loans and receivables

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

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

3.2.5 Impairment

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is reclassified from other comprehensive income and recognised in the income statement.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by the SECP.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to management company, payable to trustee and other liabilities.

3.4 Preliminary expenses and floatation costs

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

3.5 Provisions

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

3.6 Taxation

Current

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

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

NAFA RIBA FREE SAVINGS FUND

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.7 Issue and redemption of units

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

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

3.8 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created.

Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned during the year and on unrealised appreciation / (diminution) arising during the year on available for sale securities. The amount so determined is taken directly to the distribution statement.

3.9 Proposed distributions

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

3.10 Net asset value per unit

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

3.11 Earnings per unit

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

3.12 Revenue recognition

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

NAFA RIBA FREE SAVINGS FUND

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
4 CASH AND BANK BALANCES			
Savings accounts	4.1	1,943,365	717,155
Current accounts		11,509	22,328
Pay orders in hand		836,333	-
		<u>2,791,207</u>	<u>739,483</u>

4.1 These accounts carry a rate of return ranging from 6.00% to 10.20% (2013 : 6.00% to 11.80%) per annum.

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
5 INVESTMENTS			
Financial assets 'at fair value through profit or loss'			
Investment in GoP Ijara sukuks	5.1	380,159	566,718
Loans and receivables	5.2	-	198,000
		<u>380,159</u>	<u>764,718</u>

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

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

Name of Investee Company	Issue Date	Number of certificates				Market Value as at June 30, 2014	Investment as percentage of	
		As at July 01-2013	Purchases during the period	Sales during the period	As at June 30, 2014		Net assets	Total investments
Rupees in '000'								
GoP Ijara Sukuk V	November 15, 2010	850	250	1,100	-	-	0.00%	0.00%
GoP Ijara Sukuk VI	December 20, 2010	180	40	220	-	-	0.00%	0.00%
GoP Ijara Sukuk VII	March 07, 2011	80	-	80	-	-	0.00%	0.00%
GoP Ijara Sukuk VIII	May 16, 2011	1,000	-	1,000	-	-	0.00%	0.00%
GoP Ijara Sukuk IX	December 26, 2011	1,717	150	-	1,867	189,140	11.41%	49.75%
GoP Ijara Sukuk X	March 02, 2012	400	-	-	400	40,784	2.46%	10.73%
GoP Ijara Sukuk XI	April 30, 2012	210	30	-	240	24,525	1.48%	6.45%
GoP Ijara Sukuk XII	June 28, 2012	500	-	-	500	51,415	3.10%	13.52%
GoP Ijara Sukuk XIII	September 18, 2012	470	-	-	470	48,387	2.92%	12.73%
GoP Ijara Sukuk XIV	March 28, 2013	250	-	-	250	25,908	1.56%	6.82%
						<u>380,159</u>		
Carrying value as at June 30, 2014						<u>373,343</u>		
Net unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss						<u>6,816</u>		

NAFA RIBA FREE SAVINGS FUND

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

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

Pending decision of the SHC, the Fund is not making payments for FED from August 1, 2013. However, the Fund, as a matter of abundant caution, has made full provision in respect of FED from August 1, 2013, amounting to Rs 4.449 million. Had the charge for the period from June 13, 2013 to June 30, 2014, amounting to Rs. 6.505 million, not been made the net asset value per unit of the Fund as at June 30, 2014 would have been higher by Re 0.0396 per unit.

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
9 PAYABLE TO THE TRUSTEE			
Trustee fee	9.1	<u>270</u>	<u>132</u>

- 9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. During the year 2013-14, MCB Financial Services Limited (MCB-FSL) retired as the Trustee of the Fund, and Central Depository Company of Pakistan Limited (CDC) has been appointed as the Trustee of the Fund, effective from September 4, 2013. Based on the Supplemental Trust Deed, which was signed on July 29, 2013, the following tariff structure is applicable to the Fund as at June 30, 2014.

Amount of funds under management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	0.17% p.a of Net Assets
On amount exceeding Rs. 1,001 million to Rs. 5,000 million	Rs 1.7 million plus 0.085% per annum of NAV exceeding Rs 1,000 million
On amount exceeding Rs. 5,001 million	Rs 5.1 million plus 0.07% per annum of NAV exceeding Rs 5,000 million

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	10.1	<u>2,381</u>	<u>930</u>

- 10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as Income Scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the scheme. The Fund has been classified as an Income Scheme by the Management Company.

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		358	316
Bank charges		1	43
Provision for Workers' Welfare Fund	15	8,813	3,940
Printing charges		125	100
Legal and professional charges		45	40
Settlement charges payable		33	37
Withholding tax payable		208	12
Others		1,144	-
		<u>10,727</u>	<u>4,488</u>
12 CONTINGENCIES AND COMMITMENTS			

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

NAFA RIBA FREE SAVINGS FUND

	2014	2013
	(Rupees in '000)	
13 PROFIT ON BANK DEPOSITS		
Income on savings deposits	<u>248,756</u>	<u>43,965</u>
14 AUDITORS' REMUNERATION		
Annual audit fee and other certification	322	280
Half yearly review fee	128	112
Out of pocket expenses	<u>64</u>	<u>75</u>
	<u>514</u>	<u>467</u>
15 PROVISION FOR WORKERS' WELFARE FUND		

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

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

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgement, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 8.813 million (including Rs 4.873 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2014 would have been higher by Re 0.0537 per unit.

16 TAXATION

The income of the Fund is exempt from income tax as per clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management has already distributed 90 percent of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

	2014	2013
	Number of units	
17 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	300,153,817	86,561,291
Add: units issued during the year	239,469,722	285,897,224
Add: bonus units issued during the year	18,389,450	10,022,736
Less: units redeemed during the year	<u>(394,022,915)</u>	<u>(82,327,434)</u>
Total units in issue at the end of the year	<u>163,990,074</u>	<u>300,153,817</u>

17.1 This includes 150,023,408 units redeemed by the National Bank of Pakistan (NBP), on June 30, 2014, based on their request for redemption. Amount of Rs. 1,515,911,529 in respect of this transaction is included in payable against redemption of units as on June 30, 2014.

NAFA RIBA FREE SAVINGS FUND

18 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30,2014-----			
	Loans and receivables	Assets at fair value through profit or loss	Total
-----Rupees in '000-----			
Financial assets			
Cash and bank balances	2,791,207	-	2,791,207
Investments	-	380,159	380,159
Profit receivable	23,889	-	23,889
Security deposit	200	-	200
Receivable against issue of units	-	-	-
	<u>2,815,296</u>	<u>380,159</u>	<u>3,195,455</u>
-----June 30,2014-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
Financial liabilities			
Payable to the Management Company	-	7,896	7,896
Payable to the Trustee	-	270	270
Payable against redemption of units	-	1,517,502	1,517,502
Accrued expenses and other liabilities	-	1,706	1,706
	<u>-</u>	<u>1,527,374</u>	<u>1,527,374</u>
-----June 30,2013-----			
	Loans and receivables	Assets at fair value through profit or loss	Total
-----Rupees in '000-----			
Financial assets			
Cash and bank balances	739,483	-	739,483
Investments	198,000	566,718	764,718
Profit receivable	18,733	-	18,733
Security deposit	200	-	200
Receivable against issue of units	1,513,571	-	1,513,571
	<u>2,469,987</u>	<u>566,718</u>	<u>3,036,705</u>
-----June 30,2013-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
Financial liabilities			
Payable to the Management Company	-	3,039	3,039
Payable to the Trustee	-	169	169
Payable against redemption of units	-	200	200
Accrued expenses and other liabilities	-	499	499
	<u>-</u>	<u>3,907</u>	<u>3,907</u>

19 TRANSACTIONS WITH CONNECTED PERSONS

- 19.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services Limited being the Ex-Trustee, Central Depository Company of Pakistan Limited - current Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 19.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 19.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 19.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

NAFA RIBA FREE SAVINGS FUND

	June 30, 2014	June 30, 2013
	(Rupees in '000)	
19.5 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration	39,680	15,507
Sindh Sales Tax on Management Company's remuneration	7,390	2,481
Federal Excise Duty on Management Company's remuneration	6,349	-
Issue of Nil units (2013: Nil units)	-	-
Bonus of 357,379 units (2013: 367,417 units)	-	-
Redemption of Nil units (2013: 1,202,006 units)	-	12,200
MCB Financial Services Limited - Trustee from January 11, 2013		
Remuneration from January 11, 2013 to September 3, 2013	507	709
Central Depository Company of Pakistan Limited - Trustee till January 11, 2013		
Remuneration from September 4, 2013 to June 30, 2014	2,913	931
Alexandra Fund Management Pte. Limited - Sponsor		
Bonus of 210,568 units (2013: 832,048 units)	-	-
Redemption of 8,751,627 units (2013: 2,380,811 units)	88,487	24,000
National Bank of Pakistan - Sponsor		
Issue of 42,215,676 units (2013: 150,023,408 units)	426,353	1,513,571
Bonus of 6,664,075 units (2013: Nil units)	-	-
Redemption of 150,023,408 units (2013: Nil units)	1,515,912	-
Employees of the Management Company		
Issue of 1,269,081 units (2013: 651,286 units)	12,836	6,584
Bonus of 41,192 units (2013: 19,357 units)	-	-
Redemption of 1,299,909 units (2013: 478,355 units)	13,153	4,839
Muhammad Murtaza Ali - CFO & Company Secretary		
Issue of 13,560 units (2013: 17,298 units)	137	175
Bonus of 523 units (2013: 418 units)	-	-
Redemption of 14,863 units (2013: 16,937 units)	150	171
MCBFSL Trustee NAFA Islamic Aggressive Income Fund		
Purchase of sukuk	-	3,000
The Hub Power Company Limited		
Purchase of short term Islamic Sukuk	-	331,000
Sale of / matured short term Islamic Sukuk	-	233,000
19.6 Amounts outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management remuneration payable	513	1,585
Sales load payable	1,359	1,003
Transfer load payable	-	36
Sales tax payable to management company	96	259
FED payable to management company	5,812	156
Sindh sales tax on sales load payable	6	-
Federal excise duty on on sales load payable	110	-
Units held: 5,023,573 units (2013: 4,666,193 units)	50,761	47,080

NAFA RIBA FREE SAVINGS FUND

	June 30, 2014	June 30, 2013
	(Rupees in '000)	
MCB Financial Services Limited - Trustee		
Remuneration payable	-	132
Central Depository Company of Pakistan Limited		
Remuneration payable	270	-
CDC Settlement charges payable	33	-
Security Deposit	200	-
National Bank of Pakistan - Sponsor		
Units held: 48,879,751 units (2013: 150,023,408 units)	493,905	1,513,691
Bank balance	-	-
Payable against redemption of units	1,515,912	-
Alexandra Fund Management Pte. Limited - Sponsor		
Units held: Nil units (2013: 8,541,059 units)	-	86,177
Employees of the Management Company		
Units held: 404,337 units (2013: 374,644 units)	4,086	3,780
Muhammad Murtaza Ali - CFO & Company Secretary		
Units held: Nil units (2013: 779 units)	-	8
The Hub Power Company Limited		
Short term Islamic Sukuk held	-	198,000

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	26
2	Sajjad Anwar	CFA / MBA Finance	14
3	Muhammad Ali Bhabha	CFA / FRM	19
4	Syed Suleman Akhtar	CFA	14
5	Mr. Salman Ahmed	MBA / CFA	8.5

Mr. Salman Ahmed is the Fund Manager of the fund .He is also the Fund Manager of NAFA Finalncial Sector Income Fund and NAFA Money Market Fund.

21 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

		For the year ended June 30, 2014 Percentage
1	KASB Securities Limited	56.52%
2	Elixir Securities Pakistan (Private) Limited	43.48%
		<u>100.00%</u>
		For the year ended June 30, 2013 Percentage
1	J.S Global Capital Limited	83.33%
2	Pearl Securities (Private) Limited	16.67%
		<u>100.00%</u>

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22 DETAILS OF PATTERN OF UNIT HOLDING

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

Category	Number of unit holders	Investment amount	Percentage of investment
		(Rupees in '000)	
Individuals	1,212	780,980	47.13%
Associated companies and directors	2	544,666	32.87%
Retirement funds	11	90,344	5.45%
Others	23	241,040	14.55%
	<u>1,248</u>	<u>1,657,030</u>	<u>100.00%</u>

-----June 30, 2013-----

Category	Number of unit holders	Investment amount	Percentage of investment
		(Rupees in '000)	
Individuals	1,038	871,321	28.77%
Associated companies and directors	3	1,646,948	54.38%
Retirement funds	7	62,537	2.06%
Others	19	447,641	14.79%
	<u>1,067</u>	<u>3,028,447</u>	<u>100.00%</u>

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 42nd, 43rd, 44th, 45th, 46th and 47th Board meetings were held on July 11, 2013, August 27, 2013, October 30, 2013, February 13, 2014, April 30, 2014 and June 26, 2014 respectively. Information in respect of attendance by directors in the meetings is given below:

Category	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Wah Geok Sum	6	2	4	43rd, 44th, 46th & 47th
Mr. Koh Boon San	6	6	-	
Mr. Kamal Amir Chinoy	6	5	1	42nd
Mr. Shehryar Faruque	6	3	3	42nd, 44th & 45th
Dr Amjad Waheed	6	6	-	
Mr. Asif Hassan*	1	-	1	42nd
Mr. Amir Shehzad**	1	-	1	42nd
Mr. Aamir Sattar***	5	5	-	
Mr. Nausherwan Adil****	4	2	2	44th & 46th
Mr. Abdul Hadi Palekar*****	5	4	1	45th
Mr. Khalid Mahmood*****	2	2	-	

* Mr. Asif Hassan retired in EOGM Held on August 07, 2013

** Mr. Aamir Shehzad retired in EOGM Held on August 07, 2013

*** Mr. Aamir Sattar elected in EOGM Held on August 07, 2013

**** Mr. Nausherwan Adil was co-opted on the Board with effect from October 10, 2013

***** Mr. Abdul Hadi Palekar elected in EOGM Held on August 07, 2013

***** Mr. Khalid Mahmood retired from Board with effect from October 10, 2013

NAFA RIBA FREE SAVINGS FUND

24 FINANCIAL RISK MANAGEMENT

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

24.1 Market risk

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

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

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

24.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as 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 holds GoP Ijara Sukuks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in 6 months weighted average yield of market treasury bills on June 30, 2014 with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.403 million (2013: Rs.0.648 million).

The composition of the Fund's debt investment portfolio and market treasury bill rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2014, the Fund does not hold any fixed rate instruments that may expose the fund to fair value interest rate risk.

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

NAFA RIBA FREE SAVINGS FUND

As at June 30, 2014

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

(Rupees in '000)

On-balance sheet financial instruments

Financial assets

Cash and bank balances	6.00 - 10.2	2,791,207	1,943,365	-	-	847,842
Investments	9.65 - 9.98	380,159	380,159	-	-	-
Profit receivable		23,889	-	-	-	23,889
Security deposit		200	-	-	-	200
Receivable against issue of units		-	-	-	-	-
		<u>3,195,455</u>	<u>2,323,524</u>	-	-	<u>871,931</u>

Financial liabilities

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

On-balance sheet gap

		<u>1,668,081</u>	<u>2,323,524</u>	-	-	<u>(655,443)</u>
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Off-balance sheet financial instruments

		-	-	-	-	-
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Off-balance sheet gap

		-	-	-	-	-
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As at June 30, 2013

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

(Rupees in '000)

On-balance sheet financial instruments

Financial assets

Cash and bank balances	6.00 - 11.8	739,483	717,155	-	-	22,328
Investments	9.12 - 11.94	764,718	764,718	-	-	-
Profit receivable		18,733	-	-	-	18,733
Security deposit		200	-	-	-	200
Receivable against issue of units		1,513,571	-	-	-	1,513,571
		<u>3,036,705</u>	<u>1,481,873</u>	-	-	<u>1,554,832</u>

Financial liabilities

Payable to the Management Company		3,039	-	-	-	3,039
Payable to the Trustee		169	-	-	-	169
Payable against redemption of units		200	-	-	-	200
Accrued expenses and other liabilities		499	-	-	-	499
		<u>3,907</u>	-	-	-	<u>3,907</u>

On-balance sheet gap

		<u>3,032,798</u>	<u>1,481,873</u>	-	-	<u>1,550,925</u>
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Off-balance sheet financial instruments

		-	-	-	-	-
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Off-balance sheet gap

		-	-	-	-	-
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NAFA RIBA FREE SAVINGS FUND

24.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund does not hold any security which exposes the Fund to price risk.

24.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

The analysis below summarises the credit quality of the Fund's bank balances as at June 30:2014.

Bank balances by rating category	Rating Agency	2014	2013
A1+ / A-1+	PACRA / JCR-VIS	1.18%	3.56%
A1 / A-1	PACRA / JCR-VIS	84.47%	96.44%
A-2	JCR-VIS	14.29%	0.00%
A-3	JCR-VIS	0.06%	0.00%
		<u>100.00%</u>	<u>100.00%</u>

24.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio is mainly concentrated in government securities and bank balances with commercial banks whereas the remaining transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than government.

24.2.2 Settlement risk

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

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

24.3 Liquidity risk

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

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

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

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

NAFA RIBA FREE SAVINGS FUND

----- As at June 30, 2014 -----

Total	Upto three months	More than three months and upto one year	More than one year
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(Rupees in '000)

Financial Liabilities

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

----- As at June 30, 2013 -----

Total	Upto three months	More than three months and upto one year	More than one year
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(Rupees in '000)

Financial Liabilities

Payable to the Management Company	3,039	3,039	-	-
Payable to the Trustee	169	169	-	-
Payable on redemption of units	200	200	-	-
Accrued expenses and other liabilities	499	499	-	-
	<u>3,907</u>	<u>3,907</u>	-	-

25 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall 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:

NAFA RIBA FREE SAVINGS FUND

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

----- As at June 30, 2014 -----

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

ASSETS

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

Investment in GoP Ijara Sukuks	-	380,159	-	380,159
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----- As at June 30, 2013 -----

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

ASSETS

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

Investment in GoP Ijara Sukuks	-	566,718	-	566,718
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27 CORRESPONDING FIGURES

No reclassifications of corresponding figures have been made during the current year.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 16, 2014.

29 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA RIBA FREE SAVINGS FUND

PERFORMANCE TABLE

Particulars	for the Period ended June 30, 2014	for the Period ended June 30, 2013	for the Period ended June 30, 2012	For the period form July 30, 2010 to June 30 2011
Net assets (Rs. '000')	1,657,030	3,028,447	872,005	376,778
Net Income (Rs. '000')	238,802	101,979	64,420	26,650
Net Asset Value per units (Rs.)	10.1045	10.0897	10.0738	10.3779
Offer price per unit	10.1725	10.1401	10.0738	10.3779
Redemption price per unit	10.1045	10.0897	10.0738	10.3779
Highest offer price per unit (Rs.)	10.1725	10.1401	10.0738	10.3779
Lowest offer price per unit (Rs.)	9.4357	9.3295	8.8294	9.5264
Highest redemption price per unit (Rs.)	10.1045	10.0897	10.0738	10.3779
Lowest redemption price per unit (Rs.)	9.3726	9.2831	8.8294	9.5264
Fiscal Year Opening Ex Nav	9.3719	9.2806	9.0896	9.5264
Total return of the fund	7.82%	8.72%	10.83%	8.94%
Capital growth	-0.15%	-0.21%	-0.71%	3.69%
Income distribution as a % of ex nav	7.97%	8.93%	11.54%	5.25%
Income distribution as a % of par value	7.47%	8.29%	10.49%	5.00%
<u>Distribution</u>				
Interim distribution per unit	0.747	0.829	1.0489	0.5000
Final distribution per unit	-	-	-	0.3000
<u>Distribution dates</u>				
Interim				18-Feb-11 & 19-Apr-11
30-Jul-13	0.0605	0.0826	0.0877	
29-Aug-13	0.0605	0.0816	0.0907	
27-Sep-13	0.0626	0.0756	0.0796	
29-Oct-13	0.0626	0.0705	0.0927	
28-Nov-13	0.0605	0.0705	0.0806	
27-Dec-13	0.0626	0.0685	0.0806	
29-Jan-14	0.0656	0.0705	0.0806	
28-Feb-14	0.0656	0.0604	0.0826	
28-Mar-14	0.0595	0.0604	0.0826	
29-Apr-14	0.0636	0.0604	0.0826	
28-May-14	0.0626	0.0625	0.0826	
26-Jun-14	0.0605	0.0655	0.1260	
Final	-	-	-	4-Jul-11
Average annual return (launch date 21-08-2010)				
(Since inception to June 30, 2014)	9.41%			
(Since inception to June 30, 2013)		9.97%		
(Since inception to June 30, 2012)			10.64%	
(Since inception to June 30, 2011)				10.39%
Portfolio Composition (Please see Fund Manager Report)				
Weighted average portfolio duration	33 days	31 days	83 days	78 days
"Past performance is not necessarily indicative of future performance and that unit prices and investment return returns may go down, as well as up."				



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