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

NAFA ASSET ALLOCATION FUND

ANNUAL REPORT 2015



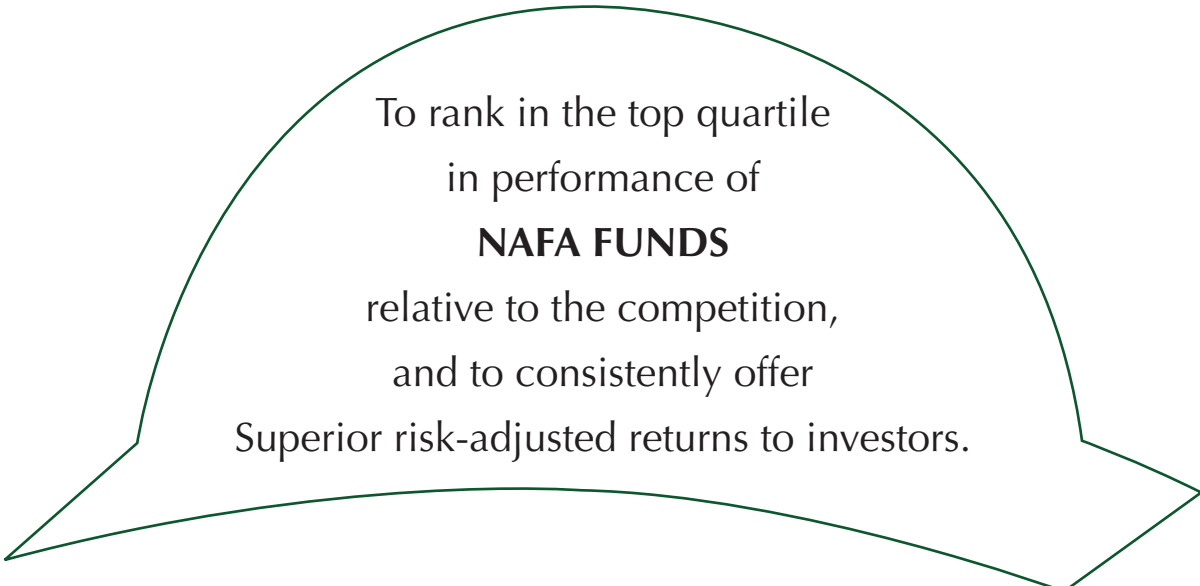
Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA ASSET ALLOCATION FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Trustee

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

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
National Bank of Pakistan
Summit Bank Limited
JS Bank Limited
The Bank of Panjab

NAFA ASSET ALLOCATION 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 ASSET ALLOCATION FUND

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Board of Directors



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Nigel Poh Cheng
Director



Mr. Abdul Hadi Palekar
Director

Senior Management*



Dr. Amjad Waheed, CFA
Chief Executive Officer



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



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. Zeeshan
Chief - Strategy &
Business Development



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



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



Syed Suleman Akhtar CFA
Head of Research



Mr. Tahir Lateef
Head of Internal Audit



Mr. Ahmad Nouman CFA, PRM
Head of Risk Management



Mr. Asim Wahab Khan, CFA
Head of Equity

NAFA ASSET ALLOCATION FUND

DIRECTORS' REPORT

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

Fund's Performance

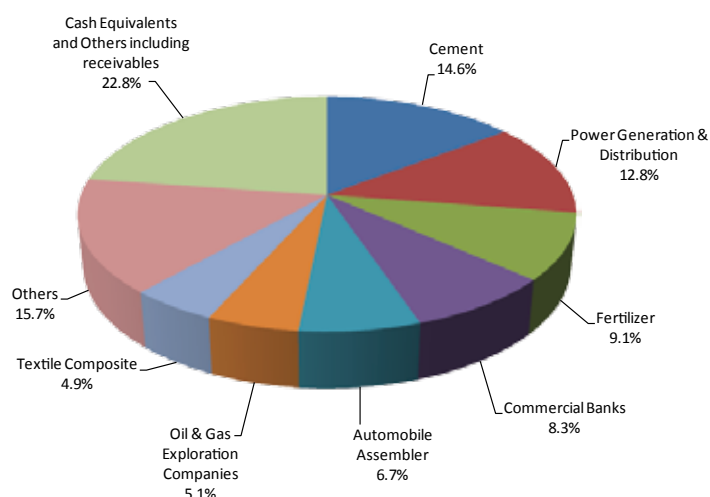
During FY2014-15, the stock market (KSE-100 Index) surged by 16.01%. Despite a challenging political environment which led to heightened volatility in the market, FY15 was the 6th consecutive year of double digit returns. The KSE-100 Index witnessed bullish momentum driven by strengthening foreign exchange reserves amid successful ongoing IMF and Privatization programs; issuance of international sukuk bonds; steep fall in oil prices and inflation and resultant 300bps cut in SBP discount rate to 7.0%; and rating upgrades by international rating agencies. Mutual Funds and foreigners remained net buyers in the market on the back of strong macroeconomic outlook, attractive valuations, and improving security situation.

On the corporate debt sphere, trading activity in TFCs remains skewed towards the high quality issues. Dearth of primary issuance versus elevated demand further depressed the yield on the high credit quality corporate bonds. During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange reserves as the key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the PIBs and T-bills declining sharply.

During the fiscal year, NAFA Asset Allocation Fund posted 24.64% return versus the benchmark (33% KSE-100 Index, 33% 6-Month KIBOR, 33% 3-month bank deposit rate) return of 10.76%. Thus the Fund outperformed by 13.88% during the year. Since its launch (August 20, 2010), the Fund has risen by 155.48%, versus the benchmark (33% KSE-100 Index, 33% 6-Month KIBOR, 33% 3-month bank deposit rate) return of 103.14%, thus to date out-performance is 52.34%. This outperformance is net of management fee and all other expenses.

The size of NAFA Asset Allocation Fund as on June 30, 2015 is Rs.2,073 million. The Fund has earned a total income of Rs.499.64 million during the year. After deducting total expenses of Rs.77.09 million, the net income is Rs.422.55 million. During the year, the unit price of NAFA Asset Allocation Fund has increased from Rs.11.8596 (Ex-Div) on June 30, 2014 to Rs.14.7819 (Ex-Div) on June 30, 2015. The resultant per unit gain is Rs.2.9223 (24.64%).

The asset allocation of NAFA Asset Allocation Fund as on June 30, 2015 is as follows:



NAFA ASSET ALLOCATION FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 1.55% of opening ex-NAV (1.86% of the par value) for the year.

Taxation

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

Auditors

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

Directors' Statement in Compliance with Code of Corporate Governance

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

NAFA ASSET ALLOCATION FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 30, 2015
Place: Karachi.

NAFA ASSET ALLOCATION FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ASSET ALLOCATION 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 Asset Allocation Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

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

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

Karachi: October 13, 2015

NAFA ASSET ALLOCATION FUND

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

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

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2015, the Board included:

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

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

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

NAFA ASSET ALLOCATION 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, 2015 a minimum of three directors should have attended director training program. As at year end, three of the directors have attended the director's training program offered by Pakistan Institute of Corporate Governance. Other directors are also conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. There was no new appointment of the Chief Financial Officer (CFO), Company Secretary, or Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 20 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors including an independent director and the chairman of the committee is a non-independent director.

NAFA ASSET ALLOCATION 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 has prepared a framework for this purpose and eventual approval by the Board of Directors of the Management Company will be obtained in forthcoming Board of Directors meeting, subsequent to year end.

For and behalf of the board

Karachi
September 30, 2015

Dr. Amjad Waheed
Chief Executive Officer

NAFA ASSET ALLOCATION FUND

FUND MANAGER REPORT

NAFA Asset Allocation Fund

NAFA Asset Allocation Fund (NAAF) is an open-ended asset allocation fund.

Investment Objective of the Fund

Objective of NAAF is to generate income by investing in debt and money market securities and to generate capital appreciation by investing in equity and equity related securities.

Benchmark

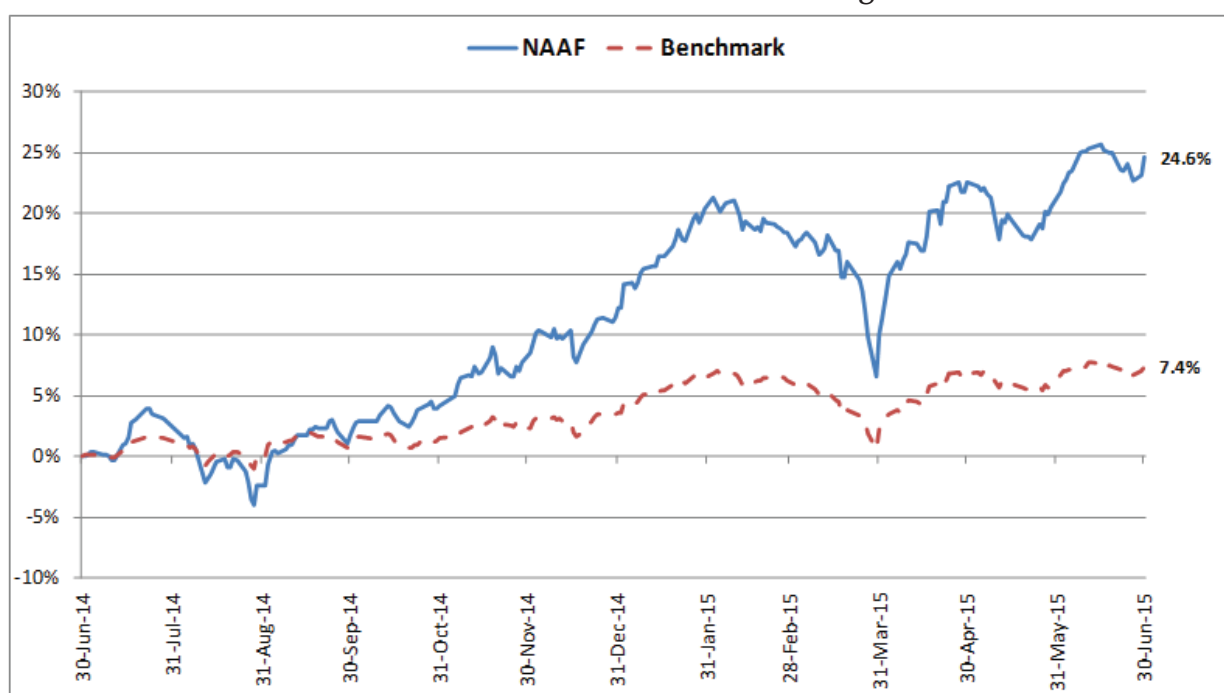
1/3 of Average 3-month Bank Deposit Rates, 1/3 of 6-month KIBOR and 1/3 of KSE-30 Index

Fund Performance Review

This is the fifth annual report of the Fund. During the year under review, the return on NAFA Asset Allocation Fund was 24.64% as against its benchmark (1/3 of KSE-30 Index, 1/3 of 6-Month KIBOR, 1/3 of 3-month bank deposit rate) return of 7.40%. Thus the Fund depicted an outperformance of 17.24% during the year. Since its inception on August 21, 2010, the NAV of NAAF has risen by 155.48% while the benchmark has increased by 74.48%, thus to date out-performance is 81.00%. The out-performance of the Fund is net of management fee and all other expenses. Thus, NAAF has met its investment objective. During the year, the fund size of NAAF increased by 8% to Rs.2,073mn.

NAAF out-performed on the back of timely asset allocation and better than the market performance of its key holdings in the Cement, Auto Assembler, Chemicals and Textile Composite performed better than the market. Moreover, contribution to the Fund's performance also came from its under-weight position in the selected companies of Oil and Gas Exploration companies, Oil and Gas Marketing companies and Banks sectors that lagged the market. The chart below shows the performance of NAAF against the benchmark for the year.

NAAF Performance vs Benchmark during FY15



NAFA ASSET ALLOCATION FUND

At the start of the year, NAAF was around 65% invested in equities. During the year, we altered the allocation of the Fund based on our view on the relative performance of different asset classes. Towards the end of the year, the allocation in equities was around 77%.

During FY2014-15, the stock market (KSE-100 Index) surged by 16.01%. Despite a challenging political environment which led to heightened volatility in the market, FY15 was the 6th consecutive year of double digit returns. The Market witnessed bullish momentum due to strengthening FX reserves, successful ongoing IMF and Privatization programs, issuance of international sukuk bonds, steep fall in inflation and resultant 300bps cut in SBP discount rate to 7.0% and rating upgrades by international rating agencies. Mutual Funds and foreigners remained net buyers in the market on the back of strong macroeconomic outlook and improvement in political and security situation.

Trading activity in TFCs/Sukuks remains skewed towards the high quality issues. Dearth of primary issuance versus elevated demand kept the yield on the high credit quality corporate bonds depressed. During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange as key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the short term and long term sovereign bonds declining sharply. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-15	30-Jun-14
Equities / Stocks	77.22%	65.50%
TFCs	-	0.63%
Cash Equivalents	70.68%	29.38%
PIBs	-	5.49%
Other Net (Liabilities) / Assets	-47.90%	-1.0%
Total	100.00%	100.00%

Distribution for the Financial Year 2015

Interim / Final	Dividend as a % of Par Value	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Final	1.860%	14.9616	14.7756

NAFA ASSET ALLOCATION FUND

Unit Holding Pattern of NAFA ASSET ALLOCATION FUND as on June 30, 2015

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	99
1,001	5,000	146
5,001	10,000	147
10,001	50,000	399
50,001	100,000	149
100,001	500,000	130
500,001	1,000,000	20
1,000,001	5,000,000	13
5,000,001	10,000,000	5
10,000,001	100,000,000	1
Total:		1109

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of 18.637 million. If the same were not made, the NAV per unit/last one year return of scheme would have been higher by Rs 0.1345 / 1.12%. For details, investors are advised to read the Note 18 of the Financial Statements of the Scheme for the year ended June 30, 2015.

NAFA ASSET ALLOCATION 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 Asset Allocation Fund** (the Fund) for the year ended June 30, 2015 to comply with the Listing Regulation No.35 (Chapter XI) of the Lahore Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2015.

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

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

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

NAFA ASSET ALLOCATION FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Asset Allocation Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2015, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

NAFA ASSET ALLOCATION FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2015

	Note	2015 -----Rupees in '000-----	2014
ASSETS			
Cash and balances with banks	4	675,426	559,897
Investments	5	1,601,261	1,372,756
Receivable against issue of units	6	2,774	446
Dividend and profit receivable	7	6,738	9,812
Deposits, prepayments and other receivables	8	2,853	8,532
Preliminary expenses and floatation costs	9	-	199
Total assets		2,289,052	1,951,642
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	21,331	7,253
Payable to the Central Depository Company of Pakistan Limited - Trustee	11	274	235
Payable to the Securities and Exchange Commission of Pakistan	12	2,029	1,427
Payable against redemption of units	13	170,509	86
Payable against purchase of investments		-	14,579
Accrued expenses and other liabilities	14	21,412	11,161
Total liabilities		215,555	34,741
NET ASSETS		2,073,497	1,916,901
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		2,073,497	1,916,901
CONTINGENCIES AND COMMITMENTS			
	15	----- Number of units -----	
NUMBER OF UNITS IN ISSUE	16	138,588,032	159,691,480
NET ASSET VALUE PER UNIT	3.12	14.9616	12.0038

The annexed notes 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 -----Rupees in '000-----	2014
INCOME			
Capital gain on sale of investments - net		159,328	78,749
Income from Term Finance Certificates		466	2,542
Income from Pakistan Investment Bonds		12,094	7,616
Income from Market Treasury Bills		5,173	21,673
Profit on bank deposits		43,659	51,984
Dividend income		71,794	30,700
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.5	234,597	44,129
Total Income		<u>527,111</u>	<u>237,393</u>
EXPENSES			
Remuneration to NBP Fullerton Asset Management Limited - Management Company	10.1	42,708	30,032
Sindh sales tax on the Management Company's remuneration	10.2	7,431	5,603
Federal excise duty on the Management Company's remuneration	10.3	6,833	4,805
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	11.1	3,135	2,502
Annual fee to the Securities and Exchange Commission of Pakistan	12.1	2,029	1,427
Amortisation of preliminary expenses and floatation costs	9	199	201
Auditors' remuneration	17	665	515
Annual listing fee and rating fee		210	150
Printing charges		159	101
National Clearing Company of Pakistan Limited fee		250	250
Legal and professional charges		125	101
Brokerage and securities transaction cost		3,906	8,139
Settlement and bank charges		816	989
Total operating expenses		<u>68,466</u>	<u>54,815</u>
Net income from operating activities		<u>458,645</u>	<u>182,578</u>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		(27,475)	-
		<u>431,170</u>	<u>182,578</u>
Provision for Workers' Welfare Fund	18.1	(8,623)	(3,652)
Net income for the year before taxation		<u>422,547</u>	<u>178,926</u>
Taxation	19	-	-
Net income for the year after taxation		<u>422,547</u>	<u>178,926</u>
Earnings per unit	3.13		

The annexed notes 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	-----Rupees in '000-----	
Net income for the year after taxation	422,547	178,926
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>422,547</u>	<u>178,926</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	-----Rupees in '000-----	
Undistributed income at the beginning of the year comprising of:		
- realised income	160,976	257,229
- unrealised income	44,129	575
	<u>205,105</u>	<u>257,804</u>
Net income for the year after taxation	422,547	178,926
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(12,911)	73,739
Final distribution during the year		
- Nil (2014: Rs 1.8674 per unit declared on July 11, 2013)		
- Issue of bonus units	-	(180,213)
- Cash distribution	-	(6)
Interim distributions during the year		
- Nil (2014: Re 0.2263 per unit declared on February 13, 2014)		
- Issue of bonus units	-	(27,455)
- Cash distribution	-	(4)
- Nil (2014: Re 0.2263 per unit declared on April 30, 2014)		
- Issue of bonus units	-	(33,733)
- Cash distribution	-	(4)
- Nil (2014: Re 0.4526 per unit declared on June 26, 2014)		
- Issue of bonus units	-	(63,944)
- Cash distribution	-	(5)
Undistributed income carried forward	<u>614,741</u>	<u>205,105</u>
Undistributed income at the end of the year comprising of:		
- realised income	380,144	160,976
- unrealised income	234,597	44,129
	<u>614,741</u>	<u>205,105</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2015

	2015 -----Rupees in '000-----	2014 -----Rupees in '000-----
Net assets at the beginning of the year	1,916,901	1,151,057
Issue of 286,812,518 units including Nil bonus units (2014: 240,786,836 units including 25,742,587 bonus units)	3,966,217	2,618,289
Redemption of 307,915,966 units (2014: 168,416,773 units)	(4,259,643) (293,426)	(2,031,352) 586,937
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net		
- transferred to income statement	27,475	-
- transferred to distribution statement	12,911 40,386	(73,739) (73,739)
Unrealised appreciation on re-measurement of investments classified as financial asset 'at fair value through profit or loss' - net	234,597	44,129
Capital gain on sale of investments - net	159,328	78,749
Other net income for the year	28,622 422,547	56,048 178,926
Distributions of bonus units during the year		
Final distribution	-	180,213
Interim distributions	-	125,132
Final distribution made during the year		
- Nil (2014: Rs 1.8674 per unit declared on July 11, 2013)		
- Issue of bonus units	-	(180,213)
- Cash distribution	-	(6)
Interim distributions made during the year		
- Nil (2014: Re 0.2263 per unit declared on February 13, 2014)		
- Issue of bonus units	-	(27,455)
- Cash distribution	-	(4)
- Nil (2014: Re 0.2263 per unit declared on April 30, 2014)		
- Issue of bonus units	-	(33,733)
- Cash distribution	-	(4)
- Nil (2014: Re 0.4526 per unit declared on June 26, 2014)		
- Issue of bonus units	-	(63,944)
- Cash distribution	-	(5)
	-	(125,145)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	(12,911)	73,739
Net assets at the end of the year	<u>2,073,497</u>	<u>1,916,901</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 -----Rupees in '000-----	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year after taxation		422,547	178,926
Adjustments for:			
Profit on bank balances and debt securities		(61,392)	(83,815)
Dividend income		(71,794)	(30,700)
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		(234,597)	(44,129)
Amortisation of preliminary expenses and floatation costs		199	201
Element of (income) / loss and capital (losses) / gains included in prices of units issued less those in units redeemed - net		27,475	-
Provision for Workers' Welfare Fund		8,623	3,652
Federal excise duty on the remuneration of the Management Company		6,833	4,805
		(324,653)	(149,986)
(Increase) / decrease in assets			
Investments - net		6,092	(1,295,762)
Receivable against sale of investments		-	61,422
Deposits, prepayments and other receivable		5,679	(4,181)
		11,771	(1,238,521)
Increase / (decrease) in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		7,245	(1,088)
Payable to the Central Depository Company of Pakistan Limited - Trustee		39	59
Payable to the Securities and Exchange Commission of Pakistan		602	715
Payable against purchase of investments		(14,579)	14,579
Accrued expenses and other liabilities		1,628	(912)
		(5,065)	13,353
Profit received on bank balances and debt securities		66,341	77,928
Dividend received		69,919	27,661
Net cash generated from / (used in) operating activities		<u>240,860</u>	<u>(1,090,639)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issuance of units		2,450,982	2,617,843
Payments against redemption of units		(2,576,313)	(2,031,266)
Distributions paid		-	(19)
Net cash (used in) / generated from financing activities		<u>(125,331)</u>	<u>586,558</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>115,529</u>	<u>(504,081)</u>
Cash and cash equivalents at the beginning of the year		559,897	1,063,978
Cash and cash equivalents at the end of the year	4	<u><u>675,426</u></u>	<u><u>559,897</u></u>

The annexed notes 1 to 32 form an integral part of these financial statements.

Chief Executive

For NBP Fullerton Asset Management Limited
(Management Company)

Director

NAFA ASSET ALLOCATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Asset Allocation Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited 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.

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 No.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. The units of the Fund are offered for public subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund. The Fund is categorised as an Open-End "Asset Allocation Scheme" as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).

The objective of the Fund is to generate income by investing in debt and money market securities and to generate capital appreciation by investing in equity and equity related securities. The Fund also undertakes transactions under margin trading system.

The Pakistan Credit Rating Agency (PACRA) has assigned Management Quality Rating of 'AM2+' to the Management Company as at April 6, 2015 and Fund Performance Rating MFR 3-Star (based on one year weighted average ranking), MFR 3-Star (based on three years weighted average ranking) as at August 13, 2015 for the year ended June 30, 2015.

The assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

NAFA ASSET ALLOCATION FUND

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, 2015 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are therefore not detailed in these financial statements.

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

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

2.4 Critical accounting estimates and judgments

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

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

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except 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 presentation 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 balances with banks and short-term highly liquid investments with original maturities of three months or less.

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. The management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

NAFA ASSET ALLOCATION FUND

c) Available for sale

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

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 out in the income statement.

3.2.4 Subsequent measurement

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

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

- Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

- Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009, circular no.33 of 2012 dated October 24, 2012 and circular no. 35 of 2012 dated November 26, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

- Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan in accordance with the requirements of the NBFC Regulations, 2008.

Net gains and losses arising from changes in fair value and on sale 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 in other comprehensive income is shown as part of net income for the year.

b) Loans and receivables

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

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

3.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. The carrying amounts of the Fund's assets are reviewed 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.

NAFA ASSET ALLOCATION FUND

a) Equity securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, amongst other indicators, as an indicator that the security is impaired. If any such 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.

b) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 1 of 2009 dated January 6, 2009, circular no. 33 of 2012 dated October 24, 2012 and circular no. 35 of 2012 dated November 26, 2012, issued by the SECP. Impairment losses recognised on debt securities can be reversed through the 'Income Statement'.

As allowed under circular no. 33 of 2012 dated October 24, 2012, issued by the SECP, the Management Company may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors.

c) Loans and receivables

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

3.2.6 Derecognition

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

3.3 Financial liabilities

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

3.4 Offsetting of financial assets and liabilities

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

3.5 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.

3.6 Provisions

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

3.7 Taxation

Current

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

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is 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.

NAFA ASSET ALLOCATION FUND

3.8 Issue and redemption of units

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

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

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

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

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

The revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Had the Fund not revised its methodology, income for the year would have been higher by Rs 26.926 million and the amount of element of loss taken to distribution statement would have been higher by Rs 27.475 million. Further, the Net Asset Value (NAV) per unit of the Fund as at June 30, 2015 would have been lower by Re 0.0040.

3.10 Securities under Margin Trading System (MTS)

Securities purchased under margin financing are included as 'receivable against Margin Trading System (MTS)' at the fair value of consideration given. All MTS transactions are accounted for on the settlement date. Income on MTS is calculated on outstanding balance at agreed rates and recorded in the Income Statement. Transaction costs are expensed in the Income Statement.

3.11 Proposed distributions

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

3.12 Net asset value per unit

The Net Asset Value (NAV) 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.

3.13 Earnings per unit

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

3.14 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income on equity securities is recognised when the right to receive the dividend is established.
- Income on Market Treasury Bills is recognised on straight line basis.
- Income from investments in term finance certificates and government securities is recognised on an accrual basis using effective interest method at the rate of return implicit in the instrument, except where recovery is doubtful in which case it is credited to the suspense account.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the year in which they arise.
- Interest income on bank balances, term deposits and MTS transactions is recognised on an accrual basis.
- Element of income / loss and capital gains / losses in prices of units issued less those in units redeemed is recognised when the units are issued and redeemed at the transaction date.

NAFA ASSET ALLOCATION FUND

	Note	2015 -----Rupees in '000-----	2014
4 CASH AND BALANCES WITH BANKS			
Savings accounts	4.1	669,269	545,336
Current accounts		6,157	5,856
Pay orders in hand		-	8,705
		<u>675,426</u>	<u>559,897</u>

4.1 These savings accounts carry mark-up at rates ranging from 4.5% to 10.1% (2014 : 9.5% to 10.1%) per annum.

	Note	2015	2014
5 INVESTMENTS			
Financial assets at fair value through profit or loss - net			
- Listed equity securities	5.1	1,601,205	1,255,479
- Term finance certificates	5.2	-	12,079
- Government securities - Pakistan Investment Bonds	5.3	56	105,198
- Government securities - Market Treasury Bills	5.4	-	-
		<u>1,601,261</u>	<u>1,372,756</u>

5.1 Listed equity securities

Shares of Listed Companies - Fully paid ordinary shares of Rs 10 each, except for Thal Limited which have a face value of Rs 5 and K-Electric which have a face value of Rs 3.5.

Name of the investee company	Number of shares					Market value as at June 30, 2015	Market value as a percentage of		
	As at July 01, 2014	Purchases during the year	Bonus / Right Issue	Sales during the year	As at June 30, 2015		Net assets	Total investments	Holding as a percentage of paid up capital of the investee company
						Rupees in '000	----- % -----		
Oil and Gas									
Attock Petroleum Limited	-	22,200	-	-	22,200	12,592	0.61	0.01	0.03
Attock Refinery Limited	-	78,300	-	-	78,300	17,888	0.86	1.12	0.09
National Refinery Limited	-	17,300	-	-	17,300	4,016	0.19	0.25	0.02
Oil and Gas Development Company Limited	154,200	126,500	-	192,500	88,200	15,809	0.76	0.99	-
Pakistan Oilfields Limited	119,900	152,350	-	165,400	106,850	43,148	2.08	2.69	0.05
Pakistan Petroleum Limited	235,060	570,300	-	516,600	288,760	47,432	2.29	2.96	0.01
Pakistan State Oil Company Limited	140,320	231,700	-	232,000	140,020	54,018	2.61	3.37	0.05
HASCOL Petroleum Limited	-	205,000	22,550	212,922	14,628	1,675	0.08	0.10	0.01
Shell Pakistan Limited	-	120,000	-	-	120,000	30,355	1.46	1.90	0.11
Sui Northern Gas Pipelines Limited	-	791,000	-	791,000	-	-	-	-	-
						226,933	10.94	13.39	
Chemicals									
Engro Corporation Limited	436,400	406,200	-	341,500	501,100	148,726	7.17	9.29	0.10
Fatima Fertilizer Company Limited	5,000	-	-	5,000	-	-	-	-	-
Engro Fertilizers Limited	150	1,058,000	-	596,150	462,000	40,976	1.98	2.56	0.03
Fauji Fertilizers Company Limited	-	332,000	-	332,000	-	-	-	-	-
						189,702	9.15	11.85	
Industrial Engineering									
Crescent Steel & Allied Limited	-	185,000	-	-	185,000	9,614	0.46	0.60	0.30
International Industries Limited	-	342,500	-	-	342,500	22,996	1.11	1.44	0.29
						32,610	1.57	2.04	
Construction and Materials									
D.G. Khan Cement Company Limited	365,500	1,548,000	-	1,105,500	808,000	115,358	5.56	7.20	0.18
Lucky Cement Limited	157,300	309,600	-	265,200	201,700	104,807	5.05	6.55	0.06
Maple Leaf Cement Factory Limited	1,683,000	2,245,500	-	3,363,000	565,500	44,426	2.14	2.77	0.11
Pioneer Cement Limited	1,280,000	390,000	-	1,224,000	446,000	38,039	1.83	2.38	0.20
Akzo Nobel Pakistan Limited	20,000	-	-	20,000	-	-	-	-	-
						302,630	14.58	18.90	
General Industries									
Thal Limited	191,900	33,600	-	11,100	214,400	61,196	2.95	3.82	0.26
Industrial Transportation									
Pakistan National Shipping Corporation Limited	215,500	-	-	96,800	118,700	12,612	0.61	0.79	0.09
Personal Goods									
Nishat Mills Limited	317,000	741,500	-	743,400	315,100	35,994	1.74	2.25	0.09
Kohinoor Textile Mills Limited	-	1,144,500	-	145,054	999,446	64,924	3.03	4.05	0.41
						100,918	4.77	6.30	

NAFA ASSET ALLOCATION FUND

Name of the investee company	Number of shares					Market value as at June 30, 2015	Market value as a percentage of		
	As at July 01, 2014	Purchases during the year	Bonus / Right Issue	Sales during the year	As at June 30, 2015		Net assets	Total investments	Holding as a percentage of paid up capital of the investee company
						Rupees in '000	----- % -----		
Electricity									
The Hub Power Company Limited	626,500	829,000	-	577,000	878,500	82,201	3.96	5.13	0.08
Kot Addu Power Company Limited	860,000	775,500	-	346,500	1,289,000	110,906	5.35	6.93	0.15
K-Electric Limited	2,215,000	-	-	725,000	1,490,000	12,546	0.61	0.78	0.01
Pakgen Power Limited	1,000	-	-	1,000	-	-	-	-	-
Lalpir Power Limited	-	814,500	-	427,000	387,500	11,819	0.57	0.74	0.10
Saif Power Limited	-	1,356,000	-	67,000	1,289,000	48,080	2.32	3.00	0.33
						265,552	12.81	16.58	
Banks									
Allied Bank Limited	1,000	606,900	-	27,700	580,200	57,985	2.80	3.62	0.05
Bank Al-Falah Limited	2,027,500	1,657,500	-	3,685,000	-	-	-	-	-
Bank Al-Habib Limited	1,514,650	736,000	-	1,339,000	911,650	40,067	1.93	2.50	0.08
MCB Bank Limited	165,500	-	-	165,500	-	-	-	-	-
National Bank of Pakistan Limited	1,597,000	235,000	-	1,832,000	-	-	-	-	-
United Bank Limited	718,203	619,800	-	1,178,900	159,103	27,194	1.31	1.70	0.01
Faysal Bank Limited	50,000	4,171,500	499,125	4,693,500	27,125	426	0.02	0.03	-
Habib Metropolitan Bank Limited	640,000	266,000	-	156,500	749,500	22,485	1.08	1.40	0.07
Habib Bank Limited	-	368,167	-	304,600	63,567	13,676	0.66	0.85	-
Meezan Bank Limited	-	230,000	-	-	230,000	9,430	0.45	0.59	0.02
						171,263	8.25	10.69	
Balance carried forward						1,363,416	65.63	84.36	
Paper and Board									
Century Paper and Board Mills Limited	278,000	83,500	-	273,000	88,500	5,214	0.25	0.33	0.06
Automobile and Parts									
Honda Atlas Cars (Pakistan) Limited	555,000	121,500	-	605,000	71,500	15,636	0.75	0.98	0.05
Pak Suzuki Motor Company Limited	95,500	56,800	-	85,900	66,400	28,944	1.40	1.80	0.08
Baluchistan Wheels Limited	-	7,500	-	-	7,500	436	0.02	0.03	0.06
Ghandhara Nissan Limited	-	160,500	-	96,500	64,000	6,329	0.31	0.40	0.14
Indus Motor Company Limited	-	74,150	-	2,900	71,250	88,991	4.29	5.56	0.09
						140,336	6.77	8.77	
Technology / Communication									
Pakistan Telecommunication Company Limited	1,277,000	-	-	1,277,000	-	-	-	-	-
TPL Tracker Limited	1,532,000	-	-	1,532,000	-	-	-	-	-
						-	-	-	
Pharma and Bio Tech									
Abbott Laboratories (Pakistan) Limited	-	22,400	-	-	22,400	14,948	0.72	0.93	0.02
Household Goods									
Tariq Glass Industries Limited	-	828,500	-	5,000	823,500	48,167	2.32	3.01	1.12
Pak Elektron Limited	-	524,000	-	172,000	352,000	29,124	1.40	1.82	0.09
						77,291	3.72	4.83	
Total as at June 30, 2015						1,601,205	77.09	99.22	
Total as at June 30, 2014						1,255,479	65.50	91.44	

5.1.1 The carrying value of listed equity securities as at 30 June, 2015 was Rs 1,366.616 million (2014: Rs 1,211.310 million).

5.1.2 The above investment includes shares having a market value (in aggregate) amounting to Rs 81.485 million (2014: 87.878) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the Securities & Exchange Commission of Pakistan.

NAFA ASSET ALLOCATION FUND

5.2 Term finance certificates

Name of the investee company	Number of certificates				Market value as at June 30, 2015	Investment as a percentage of		
	As at July 01, 2014	Purchases during the year	Sales during the year	As at June 30, 2015		Net assets	Market value of total investments	Issue size
(face value of Rs 5,000 each)						Rupees in '000 ----- % -----		
Listed*								
Allied Bank Limited	5,000	-	5,000	-	-	-	-	-
United Bank Limited	3,000	-	3,000	-	-	-	-	-
Unlisted*								
Pakistan Mobile Communication Limited	667	-	667	-	-	-	-	-
Total as at June 30, 2015								
Total as at June 30, 2014					12,079	0.63	0.87	1.87

5.2.1 The carrying value of term finance certificates as at 30 June 2015 is Rs Nil (2014: Rs 12.316 million).

5.3 Government Securities - Pakistan Investment Bonds

Issue date	Face value					Market value as at June 30, 2015	Investment as a percentage of	
	Coupon rate in % / Tenor	As at July 1, 2014	Purchases during the year	Sales during the year	As at June 30, 2015		Net assets	Total investments
(face value of Rs 5,000 each)								
-----Rupees in '000----- % -----								
PIB								
18 July, 2013	11.50 / 5 Years	75,000	-	75,000	-	-	-	-
19 July, 2012	12.00 / 10 Years	34,150	-	34,100	50	56	-*	-*
17 July, 2014	11.25 / 3 Years	-	37,500	37,500	-	-	-	-
17 July, 2014	11.50 / 5 Years	-	37,500	37,500	-	-	-	-
Total as at June 30, 2015					50	56	-	-
Total as at June 30, 2014					109,150	105,198	0.06	7.66

*Nil value due to rounding off

5.3.1 The carrying value of Pakistan Investment Bonds as at 30 June, 2015 was Rs 0.048 million (2014: Rs 105.001 million).

5.4 Government Securities - Market Treasury Bills

Issue date	Face value					Market value as at June 30, 2015	Investment as a percentage of	
	Tenor	As at July 1, 2014	Purchases during the year	Sales during the year	As at June 30, 2015		Net assets	Total investments
(face value of Rs 5,000 each)								
-----Rupees in '000----- % -----								
27 November, 2014	3 Months	-	400,000	400,000	-	-	-	-
Total as at June 30, 2015								
Total as at June 30, 2014								

5.4.1 Market Treasury Bills carried effective interest rates of 9.36% per annum (2014 : 8.57% to 10.00 % per annum).

5.5 Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net

Note
2015
2014
----- (Rupees in '000) -----

Market value of investments	1,601,261	1,372,756
Less: carrying value of investments	(1,366,664)	(1,328,627)
	<u>234,597</u>	<u>44,129</u>

NAFA ASSET ALLOCATION FUND

6 RECEIVABLE AGAINST ISSUE OF UNITS

This represents amounts receivable from other collective investment schemes being managed by the Management Company of the Fund. These amounts are receivable in respect of units issued to various unit holders based on their request for transfer units from other collective investment schemes to the Fund. These amounts have been received from respective collective investment schemes subsequent to the year ended June 30, 2015.

	Note	2015	2014
		-----Rupees in '000-----	
7 DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		5,392	3,517
Profit accrued on saving deposits		1,343	330
Profit accrued on Pakistan Investment Bonds		3	5,705
Profit accrued on Term Finance Certificates		-	260
		<u>6,738</u>	<u>9,812</u>
8 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposit with National Clearing Company of Pakistan Limited		2,750	2,750
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance against book building of equity shares		-	5,681
Prepayments		3	1
		<u>2,853</u>	<u>8,532</u>
9 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance		199	400
Less: amortisation during the year		(199)	(201)
Closing balance		<u>-</u>	<u>199</u>
10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	10.1	3,819	507
Sindh sales tax on the Management Company's remuneration	10.2	664	94
Federal excise duty on the Management Company's remuneration	10.3	11,283	4,449
Front-end load payable to the Management Company		5,565	2,203
		<u>21,331</u>	<u>7,253</u>

10.1 Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent per annum of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent per annum of such assets of the Fund. In the current year, remuneration of the Management company has been charged at the rate of 2% (2014 : 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

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

10.3 As per the requirements of The Finance Act, 2013 Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provisional sales tax as explained in note 10.2 above, 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 11.283 million. Had the provision for the period from June 13, 2013 to June 30, 2015, amounting to Rs 11.820 million (including 6.833 million for the current year) not been made the net asset value per unit of the Fund as at June 30, 2015 would have been higher by Re 0.0853 (2014 : Re 0.0312) per unit.

NAFA ASSET ALLOCATION FUND

	Note	2015 -----Rupees in '000-----	2014
11 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	11.1	<u>274</u>	<u>235</u>
11.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff structure specified therein, based on the daily net assets of the Fund. The fee is paid on a monthly basis in arrears.		
	Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2015 is as follows:		
Net Assets	Tariff per annum		
Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher		
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million		
There is no change in tariff structure in the current year.			
	Note	2015 -----Rupees in '000-----	2014
12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	12.1	<u>2,029</u>	<u>1,427</u>
12.1	Under the provisions of the NBFC Regulations, a collective investment scheme categorised as asset allocation scheme is required to pay an annual fee to SECP at an amount equal to 0.095 percent of the average annual net assets of the Fund. There has been no change in this percentage in the current year.		
13 PAYABLE AGAINST REDEMPTION OF UNITS			
This includes amounts payable to other collective investment schemes being managed by the Management Company of the Fund. These amounts are payable in respect of units redeemed by various unit holders based on their request for transfer of units from the Fund to the other collective investment schemes. These amounts have been paid to the respective collective investment schemes subsequent to the year ended June 30, 2015.			
	Note	2015 -----Rupees in '000-----	2014
14 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		468	358
Provision for Workers' Welfare Fund		18,637	10,014
Brokerage payable	18	295	288
Settlement charges		56	13
Printing charges		150	125
Withholding tax payable		1,609	295
Legal and professional charges payable		125	50
Others		72	18
		<u>21,412</u>	<u>11,161</u>
15 CONTINGENCIES AND COMMITMENTS			
There were no contingencies or commitments outstanding as at June 30, 2015 and June 30, 2014.			
		2015	2014
16 NUMBER OF UNITS IN ISSUE		-----Number of units-----	
Total units in issue at the beginning of the year		159,691,480	87,321,417
Add: units issued during the year		286,812,518	215,044,249
Add: bonus units issued during the year		-	25,742,587
Less: units redeemed during the year		(307,915,966)	(168,416,773)
Total units in issue at the end of the year		<u>138,588,032</u>	<u>159,691,480</u>
17 AUDITORS' REMUNERATION		2015 -----Rupees in '000-----	2014
Annual audit fee and other certifications		423	322
Half yearly review fee		153	128
Out of pocket expenses		89	65
		<u>665</u>	<u>515</u>

NAFA ASSET ALLOCATION FUND

18 PROVISION FOR WORKERS' WELFARE FUND

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

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

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

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

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 18.637 million (including Rs 8.623 million for the current year) in these financial statements. Had the provision not been made the net asset value per unit of the Fund as at June 30, 2015 would have been higher by Re 0.1345 per unit. (2014 : Re 0.0627 per unit)

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

19 TAXATION

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

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

20 TRANSACTIONS WITH CONNECTED PERSONS

- 20.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP), and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 20.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 20.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 20.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

NAFA ASSET ALLOCATION FUND

	2015	2014
	-----Rupees in '000-----	
20.5 Details of transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited (Management Company)		
Remuneration for the year	42,708	30,032
Sindh sales tax on remuneration of the Management Company	7,431	5,603
Federal excise duty on remuneration of the Management Company	6,833	4,805
Front-end load paid to Management Company	11,633	16,874
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration for the year	3,135	2,502
CDS charges	216	312
Alexandra Fund Management Pte. Limited (Sponsor)		
Redemption / transfer out of Nil units (2014: 25,848,886 units)	-	304,169
Issue of Nil bonus units (2014 : 3,537,134 bonus units)	-	-
National Bank of Pakistan (NBP)		
Purchase of Treasury Bills	-	738,447
Sale of Treasury Bills	-	499,645
Taurus Securities Limited		
Brokerage expense	252	452
Summit Bank Limited		
Bank Profit	102	74
NAFA Income Opportunity Fund		
Sale of Treasury Bills	-	39,851
NAFA Savings Plus Fund		
Sale of Treasury Bills	-	19,925
NAFA Employees Provident Fund		
Issue / transfer in of Nil units (2014: 274,147 units)	-	3,357
Redemption / transfer out of 37,787 units (2014: 225,626 units)	500	2,689
Issue of Nil bonus units (2014: 146,776 bonus units)	-	-
International Industries Limited - Employees Provident Fund		
Issue / transfer in of 185,742 units (2014: 786,288 units)	2,283	9,609
Redemption / transfer out of 3,767,297 units (2014 : 791,153 units)	47,892	9,670
Issue of Nil bonus units (2014 : 703,550 units)	-	-
International Industries Limited - Employees Gratuity Fund		
Issue / transfer in of 1,409,823 units (2014: 8,273,753 units)	17,077	104,477
Redemption / transfer out of 9,573,667 units (2014: 1,007,265 units)	134,998	12,283
Issue of Nil bonus units (2014: 897,356 units)	-	-
International Steels Limited - Employees Provident Fund		
Issue / transfer in of 63,915 units (2014: 256,066 units)	779	3,131
Redemption / transfer out of 887,076 units (2014: 169,676 units)	11,161	2,078
Issue of Nil bonus units (2014: 148,687 units)	-	-
International Steels Limited - Employees Gratuity Fund		
Issue / transfer in of 127,133 units (2014: 841,011 units)	1,541	10,553
Redemption / transfer out of 970,640 units (2014: 69,536 units)	12,387	880
Issue of Nil bonus units (2014: 72,032 units)	-	-
Abbott Laboratories Pakistan Limited - Staff Pension Fund		
Issue / transfer in of 39,235,595 units (2014: N/A units)	20.7	548,533
Redemption / transfer out of 48,858,750 units (2014: N/A units)	20.7	724,606
Amir Sattar - Director of the Management Company		
Issue / transfer in of Nil units (2014: 79,422 units)	-	1,000
Issue of Nil bonus units (2014: 3,029 units)	-	-

NAFA ASSET ALLOCATION FUND

	2015	2014
	----- (Rupees in '000) -----	
Muhammad Murtaza Ali - Chief Financial Officer and Company Secretary		
Issue / transfer in of 12,020 units (2014 : 42,852 units)	150	500
Redemption / transfer out of Nil units (2014 : 42,896 units)	-	530
Issue of Nil bonus units (2014 : 9,460 bonus units)	-	-
Employees of the Management Company		
Issue / transfer in of 382,288 units (2014: 1,909,497 units)	5,294	22,940
Redemption / transfer out of 453,086 units (2014 : 1,970,999 units)	6,139	23,541
Issue of Nil bonus units (2014 : 37,628 bonus units)	-	-
Discretionary portfolio managed by the Management Company:		
Byco Oil Pakistan Limited - Employee Provident Fund		
Issue / transfer in of 1,291,027 units (2014 : 274,405 units)	16,466	3,368
Redemption / transfer out of 384,340 units (2014 : 10,314 units)	5,164	129
Issue of Nil bonus units (2014 : 13,270 units)	-	-
Byco Petroleum Pakistan Limited - Employee Provident Fund		
Issue / transfer in of 2,987,950 units (2014: 879,462 units)	37,619	10,786
Redemption / transfer out of 984,171 units (2014: 28,702 units)	12,682	359
Issue of Nil bonus units (2014 : 42,778 units)	-	-
20.6 Amounts / balances outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	3,819	507
Sindh Sales Tax on remuneration of Management Company	664	94
Federal Excise Duty on remuneration of Management Company	11,283	4,449
Front-end load payable to the Management Company	5,565	2,203
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	274	235
CDS charges payable	56	13
Security deposit	100	100
National Bank of Pakistan (NBP)		
Investment in Nil (2014 : 1,597,000) shares of NBP	-	99,381
Balance in current account	4,570	3,995
International Industries Limited (INIL)		
Investment in 342,500 (2014 : Nil) shares of INIL	22,996	-
Taurus Securities Limited		
Brokerage payable	-	16
Summit Bank Limited		
Bank Balance	2,983	3,792
NAFA Employees Provident Fund		
Investment held in the Fund 740,251 units (2014: 778,038 units)	11,075	9,339
International Industries Limited - Employees Provident Fund		
Investment held in the Fund Nil units (2014: 3,581,555 units)	-	42,992
International Industries Limited - Employees Gratuity Fund		
Investment held in the Fund Nil units (2014: 8,163,844 units)	-	97,997
International Steels Limited - Employees Provident Fund		
Investment held in the Fund Nil units (2014: 823,161 units)	-	9,881
International Steels Limited - Employees Gratuity Fund		
Investment held in the Fund Nil units (2014: 843,507 units)	-	10,125
Abbott Laboratories Pakistan Limited - Staff Pension Fund		
Investment held in the Fund 20,474,195 units (2014: N/A)	20.7	306,327

NAFA ASSET ALLOCATION FUND

2015
----- (Rupees in '000) -----

Aamir Sattar - Director Investment held in the Fund 82,451 units (2014: 82,451 units)	1,234	990
Muhammad Murtaza Ali - Company Secretary - CFO Investment held in the Fund 59,389 units (2014: 47,369 units)	889	569
Employees of the Management Company Investment held in the Fund 46,800 units (2014: 117,598 units)	700	1,412
Discretionary portfolio managed by the Management Company		
Byco Oil Pakistan Limited - Employee Provident Fund Investment held in the Fund 1,184,148 units (2014: 277,361 units)	17,715	3,329
Byco Petroleum Pakistan Limited - Employee Provident Fund Investment held in the Fund 2,897,317 units (2014: 893,538 units)	43,348	10,726
Amount receivable against issue of units from:		
NAFA Islamic Aggressive Income Fund	1,233	-
NAFA Riba Free Savings Fund	925	-
NAFA Financial Sector Income Fund	616	-
Amount payable against redemption of units to:		
NAFA Stock Fund	60,637	-
NAFA Islamic Asset Allocation Fund	42,255	-
NAFA Money Market Fund	22,990	-
NAFA Government Securities Liquid Fund	22,636	-
NAFA Multi Asset Fund	9,457	-
NAFA Savings Plus Fund	3,893	-
NAFA Income Opportunity Fund	3,407	-
NAFA Government Securities Savings Fund	4,202	-

20.7 Prior year figures have not been presented as the entity was not classified as a connected person of the Fund as at June 30, 2014 on account of having less than 10% of the unit holding of the Fund.

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.no	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	27
2	Mr. Sajjad Anwar	CFA / MBA Finance	15
3	Mr. Muhammad Ali Bhaba	CFA / FRM	20
4	Mr. Syed Suleman Akhter	CFA	15
5	Mr. Asim Wahab Khan	MBA / CFA	9
6	Mr. Muhammad Imran*	ACCA / CFA	9

22 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION CHARGED DURING THE YEAR

Sr. No.	Particulars	2015 Percentage
1	Taurus Securities Limited	
2	Arif Habib Securities Limited	7.82
3	J.S. Global Capital Limited	5.97
4	Elixir Securities Pakistan (Private) Limited	5.78
5	SC Securities (Private) Ltd	5.43
6	Foundation Securities	4.94
7	AKD Securities Limited	4.87
8	Habib Metropolitan Financial Services	4.77
9	BMA Capital Management	3.80
10	Concordia Securities (Private) Limited	3.67
		3.62

NAFA ASSET ALLOCATION FUND

Sr. No.	Particulars	2014 Percentage
1	Taurus Securities Limited	
2	Topline Securities (Private) Limited	6.86
3	KASB Securities Limited	6.51
4	Arif Habib Securities Limited	6.29
5	AKD Securities Limited	5.62
6	J.S. Global Capital Limited	5.52
7	Optimus Capital Management Limited	5.47
8	Concordia Securities (Private) Limited	5.00
9	Elixir Securities Pakistan (Private) Limited	4.94
10	Foundation Securities Limited	4.90
		4.83

23 DETAILS OF PATTERN OF UNIT HOLDING

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

Category	Number of unit holders	Investment amount	Percentage investment
(Rupees in '000)			
Individuals*	1,065	967,048	46.64%
Banks / DFIs	1	2,101	0.10%
Associated companies and directors	1	1,234	0.06%
Public Limited Companies	1	103,766	5.00%
Insurance Companies	1	3,167	0.15%
Retirement funds **	26	815,130	39.31%
Others	14	181,051	8.74%
	1,109	2,073,497	100.00%

* This includes investment amount of Rs 1.589 million by the related parties.

** This includes investment amount of Rs 378.465 million by the related parties.

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

Category	Number of unit holders	Investment amount	Percentage investment
(Rupees in '000)			
Individuals*	1,144	812,321	42.38%
Banks / DFIs	1	150,932	7.87%
Associated companies and directors	1	990	0.05%
Insurance Companies	1	12,590	0.66%
Retirement funds **	46	929,608	48.50%
Others	7	10,460	0.54%
	1,200	1,916,901	100.00%

* This includes investment amount of Rs 1.981 million by the related parties.

** This includes investment amount of Rs 184.389 million by the related parties.

24 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS

The 48th, 49th, 50th, 51st, 52nd and 53rd Board meetings were held on September 16, 2014, October 30, 2014, February 17, 2015, April 21, 2015, June 29, 2015 and June 30, 2015, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	3	3	50th, 52nd and 53rd
Mr. Aamir Sattar	6	5	1	51st
Mr. Abdul Hadi Palekar	6	5	1	49th
Mr. Wah Geok Sum*	3	-	3	48th, 49th and 50th
Mr. Koh Boon San	6	4	2	52nd and 53rd
Mr. Nigel Poh Cheng**	2	2	-	-
Mr. Shehryar Faruque	6	5	1	52nd
Mr. Kamal Amir Chinoy	6	4	2	50th and 51st
Dr. Amjad Waheed	6	6	-	-

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

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

NAFA ASSET ALLOCATION FUND

25 FINANCIAL INSTRUMENTS BY CATEGORY

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

Particulars	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-------------	-----------------------	-------------------------------------------------------	--------------------	-------

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

Financial assets

Cash and balances with banks	675,426	-	-	675,426
Investments	-	1,601,261	-	1,601,261
Receivable against issue of units	2,774	-	-	2,774
Dividend and profit receivable	6,738	-	-	6,738
Advances, deposits and other receivables	2,850	-	-	2,850
	<u>687,788</u>	<u>1,601,261</u>	<u>-</u>	<u>2,289,049</u>

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

Particulars	Financial assets at fair value through profit or loss	Other financial liabilities	Total
-------------	-------------------------------------------------------	-----------------------------	-------

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	21,331	21,331
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	274	274
Payable against redemption of units	-	170,509	170,509
Payable against purchase of investments	-	-	-
Accrued expenses and other liabilities	-	1,166	1,166
	<u>-</u>	<u>193,280</u>	<u>193,280</u>

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

Particulars	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-------------	-----------------------	-------------------------------------------------------	--------------------	-------

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

Financial assets

Cash and balances with banks	559,897	-	-	559,897
Investments	-	1,372,756	-	1,372,756
Receivable against issue of units	446	-	-	446
Dividend and profit receivable	9,812	-	-	9,812
Advances, deposits and other receivables	8,531	-	-	8,531
	<u>578,686</u>	<u>1,372,756</u>	<u>-</u>	<u>1,951,442</u>

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

Particulars	Financial assets at fair value through profit or loss	Other financial liabilities	Total
-------------	-------------------------------------------------------	-----------------------------	-------

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	7,253	7,253
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	235	235
Payable against redemption of units	-	86	86
Payable against purchase of investments	-	14,579	14,579
Accrued expenses and other liabilities	-	852	852
	<u>-</u>	<u>23,005</u>	<u>23,005</u>

NAFA ASSET ALLOCATION FUND

26 FINANCIAL RISK MANAGEMENT

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

26.1 Market risk

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

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and 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.

26.1.1 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.

26.1.2 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. The Fund is mainly exposed to interest rate risk on balances held with banks and investment in Pakistan Investment Bonds (PIBs).

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk except for balances in certain saving accounts, the interest rate of which ranges from 4.5% to 10.1%.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2015, the Fund holds Pakistan Investment Bonds (PIBs) which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on June 30, 2015, with all other variables held constant, the net income for the year and net assets would have been lower by Rs 2,697 (2014: 4.018 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association on June 30, 2015, with all other variables held constant, the net income for the year and net assets would have been higher by Rs 2,723 (2014: 3.799 million).

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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 ASSET ALLOCATION FUND

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

Particulars	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 balances with banks	4.5-10.1%	675,426	669,269	-	-	6,157
Investments	9.36 - 12%	1,601,261	56	-	-	1,601,205
Receivable against issue of units		2,774	-	-	-	2,774
Dividend and profit receivable		6,738	-	-	-	6,738
Advances, deposits and other receivables		2,850	-	-	-	2,850
		2,289,049	669,325	-	-	1,619,724
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		21,331	-	-	-	21,331
Payable to the Central Depository Company of Pakistan Limited - Trustee		274	-	-	-	274
Payable against redemption of units		170,509	-	-	-	170,509
Payable against purchase of investments		1,166	-	-	-	1,166
Accrued expenses and other liabilities		193,280	-	-	-	193,280
On-balance sheet gap (a)		2,095,769	669,325	-	-	1,426,444
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		2,095,769	669,325	-	-	1,426,444
Cumulative interest rate sensitivity gap			669,325	669,325	669,325	

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

Particulars	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 balances with banks	9.50 - 10.10%	559,897	545,336	-	-	14,561
Investments	8.57 - 12.00%	1,372,756	117,277	-	-	1,255,479
Receivable against issue of units		446	-	-	-	446
Dividend and profit receivable		9,812	-	-	-	9,812
Advances, deposits and other receivables		8,531	-	-	-	8,531
		1,951,442	662,613	-	-	1,288,829
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		7,253	-	-	-	7,253
Payable to the Central Depository Company of Pakistan Limited - Trustee		235	-	-	-	235
Payable against purchase of investments		14,579	-	-	-	14,579
Payable against redemption of units		86	-	-	-	86
Accrued expenses and other liabilities		852	-	-	-	852
		23,005	-	-	-	23,005
On-balance sheet gap (a)		1,928,437	662,613	-	-	1,265,824
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		1,928,437	662,613	-	-	1,265,824
Cumulative interest rate sensitivity gap			662,613	662,613	662,613	

NAFA ASSET ALLOCATION FUND

26.1.3 Price risk

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

The Fund is exposed to equity price risk because of the investments held by the Fund and classified in the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss'. The Fund manages price risk by limiting individual equity securities to not more than ten percent of net assets attributable to holders of the Fund's assets. Moreover, the sector limits have also been restricted to twenty five percent. The equity investments are listed on the Karachi Stock Exchange. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed on a regular basis by the investment committee as well as the Board of Directors.

In case of 5% increase / decrease in KSE 100 index on June 30, 2015, net income for the year would increase / decrease by Rs 18.306 million (2014: Rs 13.772 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'at fair value through profit or loss'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

26.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to balances with banks, dividend receivable, receivable against issue of units, security deposit and profit receivable on balances with banks. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. Credit risk also arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The settlement risk of default on equity securities is considered minimal due to inherent systematic measures taken therein. The Fund does not face any credit risk with respect to investment in government securities as these represent the interest of Government of Pakistan. The Fund's maximum exposure to credit risk (excluding government guaranteed securities) as of 30 June 2015 amounts to Rs 2.288 million (2014: Rs 1.846 million).

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

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

Balances with banks by rating category

Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
Allied Bank Limited	PACRA	AA+	0.23%
Askari Bank Limited	PACRA	AA	0.28%
Bank Al Habib Limited	PACRA	AA	0.39%
Bank Al Falah Limited	PACRA	AA-	5.80%
Habib Bank Limited	JCR-VIS	AAA	0.66%
Habib Metropolitan Bank Limited	PACRA	AA+	0.87%
JS Bank Limited	PACRA	A+	77.42%
MCB Bank Limited	PACRA	AAA	0.68%
NIB Bank Limited	PACRA	AA-	10.99%
Soneri Bank Limited	PACRA	AA-	0.35%
Faysal Bank Limited	PACRA	AA	0.54%
Bank of Punjab Limited	PACRA	AA-	0.26%
United Bank Limited	JCR-VIS	AA+	0.41%
National Bank of Pakistan Limited	JCR-VIS	AAA	0.68%
Summit Bank Limited	JCR-VIS	A	0.44%

The maximum exposure to credit risk before any credit enhancement as at 30 June 2015 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

NAFA ASSET ALLOCATION FUND

26.2.1 Concentration of credit risk

The Fund mainly deals in equity securities which are primarily subject to price risk. The concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of other financial instruments comprise of bank balances and securities issued by the State Bank of Pakistan on behalf of the Government of Pakistan.

26.3 Liquidity risk

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

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

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

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 balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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

Particulars	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	21,331	21,331	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	274	274	-	-
Payable against redemption of units	170,509	170,509	-	-
Payable against purchase of investments	-	-	-	-
Accrued expenses and other liabilities	1,166	1,166	-	-
	<u>193,280</u>	<u>193,280</u>	<u>-</u>	<u>-</u>

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

Particulars	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	7,253	7,253	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	235	235	-	-
Payable against purchase of investments	14,579	14,579	-	-
Payable against redemption of units	86	86	-	-
Accrued expenses and other liabilities	852	852	-	-
	<u>23,005</u>	<u>23,005</u>	<u>-</u>	<u>-</u>

NAFA ASSET ALLOCATION FUND

27 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 to meet unexpected losses or opportunities.

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

28 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 the 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 balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

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

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

Investments carried at fair value are categorised as follows:

	----- As at June 30, 2015 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Financial assets classified as 'fair value through profit or loss'				
Investment in Equity securities - listed	1,601,205	-	-	1,601,205
Investment in Term finance certificates - listed	-	-	-	-
Investment in Government securities	-	56	-	56
	----- 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 Equity securities - listed	1,255,479	-	-	1,255,479
Investment in Term finance certificates - listed	-	8,745	3,334	12,079
Investment in Government securities	-	105,198	-	105,198

NAFA ASSET ALLOCATION FUND

29 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. During the current year, there were no major reclassifications.

30 NON-ADJUSTING EVENT AFTER JUNE 30, 2015

The Board of Directors of the Management Company in their meeting held on July 14, 2015 approved a final cash distribution of Rs 26.041 million (Re 0.1860 per unit) for the year ended June 30, 2015. The financial statements of the Fund for the year ended June 30, 2015 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2016.

31 DATE OF AUTHORISATION FOR ISSUE

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

32 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

Performance Table

Particulars	For the year ended June 30, 2015	For the year ended June 30, 2014	For the year ended June 30, 2013	For the year ended June 30, 2012	For the period from August 2, 2010 to June 30, 2011
Net assets (Rs. '000')	2,073,497	1,916,901	1,151,057	488,550	282,722
Net Income (Rs. '000')	422,547	178,926	215,507	52,415	43,845
Net Asset Value per units (Rs.)	14.9616	12.0038	13.1818	11.3954	11.3204
Offer price per unit	15.5604	12.4884	13.4454	11.6233	10.4758
Redemption price per unit	14.9616	12.0038	13.1818	11.3954	10.2704
Highest offer price per unit (Rs.)	15.5077	12.1460	10.5695	12.1411	10.5652
Low est offer price per unit (Rs.)	11.8422	13.7544	10.2678	13.4847	10.0665
Highest redemption price per unit (Rs.)	14.9110	12.1360	10.1231	11.8980	9.9246
Low est redemption price per unit (Rs.)	11.3846	11.6023	9.6665	11.3748	9.4770
Fiscal Year Opening Ex Nav	11.8596	10.5614	9.9885	9.9610	9.477
Total return of the fund	24.64%	13.66%	31.97%	14.40%	19.45%
Capital growth	23.07%	5.09%	9.14%	-0.04%	2.04%
Income distribution as % of Ex-NAV	1.57%	8.57%	22.83%	14.44%	17.41%
Income distribution as % of Par Value	1.86%	9.05%	22.80%	14.38%	16.50%
Interim distribution per unit	-	0.9052	0.4126	0.3595	0.6000
Final distribution per unit	0.1860	-	1.8674	1.0784	1.0500
Distribution dates					
Interim		13-Feb-14 ,30-Apr-14 & 26-Jun-2014	26-Apr-13 & 26-Feb-13	17-Apr-12	18-Feb-11 & 19-Apr-11
Final	14-July-2015	-	11-Jul-13	9-Jul-12	4-Jul-11
Average annual return (launch date 21-08-2010)					
(Since inception to June 30, 2015)	21.30%				
(Since inception to June 30, 2014)		20.42%			
(Since inception to June 30, 2013)			22.87%		
(Since inception to June 30, 2012)				18.25%	
(Since inception to June 30, 2011)					22.61%
Portfolio Composition (Please see Fund Manager Report)					








"Past performance is not necessarily indicative of future performance and that unit prices and investment return



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-  Risk profiler*
-  Financial calculator
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NBP Fullerton
Asset Management Ltd.
A Subsidiary of
National Bank of Pakistan

Head Office

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

UAN: 021-111-111-632

Toll Free: 0800-20001

Sms: NAFA INVEST to 8080

Fax: 021-35825335

Email: info@nafafunds.com

Website: www.nafafunds.com

 /nafafunds