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NAFA ISLAMIC MONEY MARKET FUND

**QUARTERLY
REPORT**
March 31, 2018



MISSION STATEMENT

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

Contents

| | |
|---|----|
| FUND'S INFORMATION | 03 |
| DIRECTORS' REPORT | 05 |
| CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES | 09 |
| CONDENSED INTERIM INCOME STATEMENT | 10 |
| CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME | 11 |
| CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND | 12 |
| CONDENSED INTERIM CASH FLOW STATEMENT | 13 |
| NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS | 14 |

NAFA ISLAMIC MONEY MARKET FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Formerly: NBP Fullerton Asset Management Limited (NAFA)

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Strategy & Business Planning Committee

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

Trustee

Central Depository Company of Pakistan Limited (CDC)

CDC House, 99-B, Block "B" S.M.C.H.S.,

Main Shahra-e-Faisal, Karachi.

Bankers to the Fund

MCB Bank Limited
Habib Bank Limited
Bank Al Habib Limited
Allied Bank Limited
Summit Bank Limited
Meezan Bank Limited

NAFA ISLAMIC MONEY MARKET FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA ISLAMIC MONEY MARKET FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited (Formerly; NBP Fullerton Asset Management Limited) is pleased to present the unaudited financial statements of **NAFA Islamic Money Market Fund (NIMMF)** for the period from February 28, 2018 to March 31, 2018.

Fund's Performance

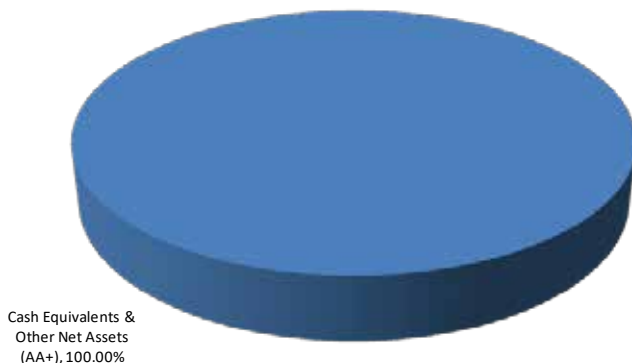
The size of NAFA Islamic Money Market Fund is Rs. 1,702 million as at March 31, 2018. The Fund has earned an annualized return of 4.4% since its inception (February 28, 2018) as compared to its benchmark return of 2.6 % for the same period. The performance of the Fund is net of management fee and other expenses.

NIMMF is categorized as a Shariah Compliant Income Fund. The Fund aims to consistently provide better return than the profit rates offered by Islamic Banks/Islamic windows of commercial banks. Minimum eligible rating is AA, while the Fund is not allowed to invest in any security exceeding six months maturity. The weighted average time to maturity of the Fund cannot exceed 90 days while also providing easy liquidity along with a high quality credit profile.

During the period under review, in its bi-monthly monetary policy review in January 2018, State Bank of Pakistan (SBP) increased the policy rate and discount rate by 25 basis points to 6.00% and 6.50%, respectively. After remaining range bound, sovereign yields responded to the recent increase in the policy rates and expectation of more to come in the near future. During the period under review, yields on T-bills for 3-month, 6-month, and 12-month, tenors increased by 41 basis points, 57 basis points, 71 basis points, respectively. Expecting upside risks to inflation and interest rates, investors' preference remained tilted toward short tenors.

The primary market for corporate Sukuks remained under-supplied against the large demand. In the secondary market, the trading activity in the corporate Sukuk remained thin. Prices of GoP Sukuk moved down with corresponding increase in yields by 120-182 basis points for different Ijara issues.

The Fund has earned a total income of Rs. 8.34 million during the period. After deducting expenses of Rs.2.32 million, the net income is Rs.6.02 million. The chart below presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIMMF:



NAFA ISLAMIC MONEY MARKET 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 Fund Management Limited

(Formerly; NBP Fullerton Asset Management Limited)

Chief Executive Officer

Director

Date: April 30, 2018

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ (سابقہ: NBP فلٹرین ایسیٹ مینجمنٹ لمیٹڈ) کے بورڈ آف ڈائریکٹرز بصیرت 31 مارچ 2018 کو ختم ہونے والی مدت کے لئے NAFA اسلامک منی مارکیٹ فنڈ (NIMMF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA اسلامک منی مارکیٹ فنڈ کا سائز 31 مارچ 2018 کو 1,702 ملین روپے ہے۔ اسی مدت کے لیے اپنے بیچ مارک منافع 2.6% کے مقابلے میں اپنے قیام (28 فروری 2018) سے 4.4% سالانہ منافع کمایا۔ فنڈ کا منافع مینجمنٹ فیس اور دیگر اخراجات کے بعد خالص ہے۔

NIMMF کی درجہ بندی بطور شریعہ کمپلائنٹ انکم فنڈ کی گئی ہے۔ اس فنڈ کا مقصد اسلامی بینکوں/تجارتی بینکوں کی اسلامی ونڈوز کی پیش کردہ منافع کی شرحوں کے مقابلے میں توازن سے بہتر منافع فراہم کرنا ہے۔ ریٹنگ کا کم از کم تقاضا AA ہے، جب کہ فنڈ کو چھ ماہ سے زائد میچورٹی والی کسی سیکورٹی میں انویسٹ کرنے کی اجازت نہیں ہے۔ فنڈ کی میچورٹی کی بنی تلی اوسط مدت 90 دن سے زائد نہیں ہو سکتی۔

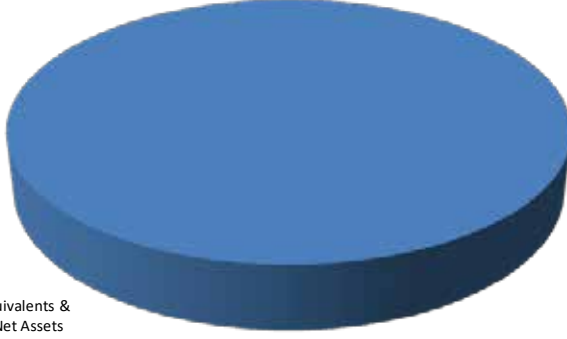
زیر جائزہ مدت میں اسٹیٹ بینک آف پاکستان (SBP) نے جنوری 2018 میں اپنی دو ماہ کی مانیٹری پالیسی میں پالیسی ریٹ اور ڈسکاؤنٹ ریٹ میں 25 بیس پوائنٹس کے اضافے سے انھیں بالترتیب 6.00% اور 6.50% تک پہنچا دیا ہے۔ بقیہ رینج کے محدود ہونے کے بعد (Sovereign) منافع نے حالیہ پالیسی ریش میں اضافے اور مستقبل قریب میں مزید اضافے کی توقع کا رد عمل ظاہر کیا۔ زیر جائزہ مدت کے دوران میں 3 ماہ، 6 ماہ اور 12 ماہ کیلئے T-Bills کے منافع میں بالترتیب 41 بیس پوائنٹس، 57 بیس پوائنٹس اور 71 بیس پوائنٹس کا اضافہ ہوا۔ افراط زر اور شرح سود سے متعلقہ بڑھتے ہوئے خدشات کی بنا پر سرمایہ کاروں کی ترجیح کا جھکاؤ مختصر مدت کی طرف رہا۔

کارپوریٹ Sukuks کی ابتدائی مارکیٹ نے بڑی طلب کے مقابلے میں کم فراہمی کا مظاہرہ کیا۔ ثانوی مارکیٹ میں کارپوریٹ Sukuks میں تجارتی سرگرمیاں بھی کم رہیں۔ مختلف اجارہ جات کے اجراء کے باعث نتائج میں 120-182 بیس پوائنٹس اضافہ ہوا اور اس کے مطابق حکومت پاکستان کے Sukuks نیچے آ گئے۔

فنڈ نے اس مدت کے دوران 8.34 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 2.32 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 6.02 ملین روپے رہی۔ درج ذیل چارٹ NIMMF کی ایسیٹ الیکویشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پینکٹ شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:

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NAFA ISLAMIC MONEY MARKET FUND



اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

بورڈ اپنے اسٹاف اور ڈسٹری بیوٹرز کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

(سابقہ: NBP فلٹرن ایسیٹ مینجمنٹ لمیٹڈ)

ڈائریکٹر

چیف ایگزیکٹو آفیسر

بتاریخ

30 اپریل 2018

بمقام: کراچی

NAFA ISLAMIC MONEY MARKET FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED) AS AT MARCH 31, 2018

| | Note | March 31' 2018 (Rupees in '000) |
|---|------|---------------------------------------|
| ASSETS | | |
| Bank balances | 4 | 1,696,055 |
| Profit receivable on bank deposits | | 8,320 |
| Preliminary expenses and floatation costs | 5 | 1,247 |
| Total assets | | 1,705,622 |
| LIABILITIES | | |
| Payable to the Management Company | 6 | 3,052 |
| Payable to the Trustee | 7 | 216 |
| Payable to Securities and Exchange Commission of Pakistan | 8 | 107 |
| Accrued expenses and other liabilities | 9 | 218 |
| Total liabilities | | 3,593 |
| NET ASSETS | | 1,702,029 |
| UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED) | | 1,702,029 |
| CONTINGENCIES AND COMMITMENTS | 10 | (Number of units) 169,570,491 |
| Number of units in issue | | 169,570,491 |
| NET ASSET VALUE PER UNIT | | 10.0373 |

The annexed notes 1 to 15 form an integral part of these interim financial statements.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE PERIOD FROM FEBRUARY 28, 2018 TO MARCH 31, 2018

| | Note | For the period from February 28, 2018 to March 31, 2018 (Rupees in '000) |
|--|------|---|
| INCOME | | |
| Profit on bank deposits | | 8,338 |
| Total income | | 8,338 |
| EXPENSES | | |
| Remuneration of NBP Fullerton Asset Management Limited Management Company | 6.1 | 1,420 |
| Sindh sales tax on remuneration of the Management Company | 6.2 | 185 |
| Remuneration to Central Depository Company of Pakistan Limited- Trustee | 7 | 191 |
| Sindh Sales Tax on remuneration of the Trustee | | 25 |
| Accounting and operational charges to the Management Company | | 142 |
| Annual fee - Securities and Exchange Commission of Pakistan | 8 | 107 |
| Auditors' remuneration | | 31 |
| Shariah advisory fee | | 33 |
| Bank charges | | 7 |
| Annual listing fee | | 3 |
| Fund rating charges | | 15 |
| Legal and professional charges | | 8 |
| Amortization of preliminary expenses and floatation costs | 5 | 21 |
| Printing charges | | 5 |
| Total Expenses | | 2,193 |
| Net Income from operating activities | | 6,145 |
| Provision for Sindh Workers' Welfare Fund | | (123) |
| Net Income for the period before taxation | | 6,022 |
| Taxation | 11 | - |
| Net Income for the period after taxation | | 6,022 |
| Allocation of Net income for the period: | | |
| Net income for the period | | 6,022 |
| Income already paid on units redeemed | | (218) |
| | | 5,804 |
| Accounting Income available for distribution: | | |
| - Relating to capital gains | | - |
| - Excluding capital gains | | 5,804 |
| The annexed notes 1 to 15 form an integral part of these interim financial statements. | | 5,804 |

**For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD FROM FEBRUARY 28, 2018 TO MARCH 31, 2018

For the period from
February 28, 2018 to
March 31, 2018
(Rupees in '000)

| | |
|--|---------------------|
| Net Income for the period after taxation | 6,022 |
| Other comprehensive income | - |
| Total comprehensive Income for the period | <u><u>6,022</u></u> |

The annexed notes 1 to 15 form an integral part of these interim financial statements.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE PERIOD FROM FEBRUARY 28, 2018 TO MARCH 31, 2018

| | For the period from February 28, 2018 to March 31, 2018 | | |
|--|--|-------------------------|------------------|
| | Capital value | Undistributed income | Total |
| | (Rupees in '000) ----- | | |
| Issue of 188,231,087 units | | | |
| - Capital value | 1,882,311 | - | 1,882,311 |
| - Element of loss | 539 | - | 539 |
| Total proceeds on issuance of units | 1,882,850 | - | 1,882,850 |
| Redemption of 18,660,596 units | | | |
| - Capital value | (186,606) | - | (186,606) |
| - Element of income | (237) | - | (237) |
| Total payments on redemption of units | (186,843) | - | (186,843) |
| Total comprehensive income for the period | - | 6,022 | 6,022 |
| Net assets at end of the period | 1,696,007 | 6,022 | 1,702,029 |
| Accounting income available for distribution: | | | |
| - Relating to capital gains | | - | |
| - Excluding capital gains | | 5,804 | |
| | | 5,804 | |
| Undistributed income carried forward | | 5,804 | |
| Undistributed income carried forward | | | |
| - Realised | | 5,804 | |
| - Unrealised | | - | |
| | | 5,804 | |
| | | | -- (Rupees) -- |
| Net assets value per unit at beginning of the period | | | 10.0000 |
| Net assets value per unit at end of the period | | | 10.0373 |

The annexed notes 1 to 15 form an integral part of these interim financial statements.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD FROM FEBRUARY 28, 2018 TO MARCH 31, 2018

For the period from
February 28, 2018 to
March 31, 2018
(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

| | |
|---|---------|
| Net Income for the period before taxation | 6,022 |
| Adjustments | |
| Amortization of preliminary expenses and floatation costs | 21 |
| | 6,043 |
| (Increase) in assets | |
| Profit Receivable | (8,320) |
| Preliminary and floatation costs | (1,268) |
| | (9,588) |
| Increase in liabilities | |
| Payable to the Management Company | 3,052 |
| Payable to the Trustee | 216 |
| Payable to Securities and Exchange Commission of Pakistan | 107 |
| Accrued expenses and other liabilities | 218 |
| | 3,593 |
| Net cash generated from operating activities | 48 |

CASH FLOW FROM FINANCING ACTIVITIES

| | |
|---|-----------|
| Net receipts from issue of units | 1,882,850 |
| Net payments on redemption of units | (186,843) |
| Net cash generated from financing activities | 1,696,007 |
| Cash and cash equivalents at the end of the period | 1,696,055 |

The annexed notes 1 to 15 form an integral part of these interim financial statements.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC MONEY MARKET FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited) FOR THE PERIOD FROM FEBRUARY 28, 2018 TO MARCH 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Money Market Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited (formerly; NBP Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on January 09, 2018, and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 07, 2018. under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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 also the member of Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund categorised as Shariah Compliant Money Market Scheme as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to provide competitive return with maximum possible capital preservation by investing in low risk and liquid Shariah Compliant authorized instruments.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and the Fund has not yet been rated.

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan limited (CDC) as trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008(the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declared that this interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2018.

NAFA ISLAMIC MONEY MARKET FUND

2.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are effective in the current period:

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this interim financial information.

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

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from July 1, 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this interim financial information.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise the judgment in the 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 3.2.5).

2.5 Accounting convention

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim 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 are acquired. The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

NAFA ISLAMIC MONEY MARKET FUND

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.

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 'fair value through profit or loss' and 'available for sale' are valued as follows:

Investments in debt securities (comprising any security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital and includes term finance certificates, bonds, debentures, certificates of investments, sukuks and commercial papers etc.) are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. 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 methodology also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Net gains and losses arising from changes in the fair values of financial assets carried as '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.

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

NAFA ISLAMIC MONEY MARKET FUND

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 any 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.

The amount of provision for certain debt securities is determined based on the provisioning criteria specified by the SECP.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

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 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, 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 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 amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Preliminary expenses and floatation costs

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

3.7 Taxation

Current

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 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed as cash dividend 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 utilised 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 as cash dividend.

NAFA ISLAMIC MONEY MARKET 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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the amended regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

3.10 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.

3.11 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.

3.12 Earnings per unit (EPU)

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.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised 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.
- Markup / return on government securities, sukuks, bank balances and term deposits are recognized on a time proportion basis using the effective interest method.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis.

3.14 Expenses

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

NAFA ISLAMIC MONEY MARKET FUND

| | Note | (Un-Audited) March 31, 2018 (Rupees in '000) |
|------------------------|------|---|
| 4 BANK BALANCES | | |
| In current accounts | 4.1 | 2,320 |
| In savings accounts | | <u>1,693,735</u> |
| | | <u>1,696,055</u> |

4.1 These carry profits at the rates ranging from 2.75% to 6.60% per annum.

5 PRELIMINARY EXPENSES AND FLOATATION COSTS

| | |
|--|--------------|
| Preliminary expenses and floatation costs incurred | 1,268 |
| Less: amortisation during the period | <u>(21)</u> |
| Closing balance | <u>1,247</u> |

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of five years commencing from March 1, 2018 as per the requirements set out in the Trust Deed of the Fund.

| | Note | (Un-Audited) March 31, 2018 (Rupees in '000) |
|--|------|---|
| 6 PAYABLE TO THE MANAGEMENT COMPANY | | |
| Remuneration of the Management Company | 6.1 | 1,420 |
| Sindh Sales Tax on the Management Company's remuneration | 6.2 | 185 |
| Sales load | | 14 |
| Sindh Sales Tax on sales load | 6.2 | 2 |
| Accounting and operational charges | 6.3 | 142 |
| Preliminary and Floatation costs payable | | 1,268 |
| Other payable | | <u>21</u> |
| | | <u>3,052</u> |

6.1 The Management Company has charged remuneration at the rate not exceeding 1.00 % per annum based on average net assets for the period. The fee is payable to the Management Company monthly in arrears.

6.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 13% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

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

| | Note | (Un-Audited) March 31, 2018 (Rupees in '000) |
|---|------|---|
| 7 PAYABLE TO THE TRUSTEE | | |
| Remuneration payable to the Trustee | 7.1 | 191 |
| Sindh Sales Tax on Trustee remuneration | 7.2 | <u>25</u> |
| | | <u>216</u> |

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

NAFA ISLAMIC MONEY MARKET FUND

Net Assets

Upto Rs 1,000 million
Rs 1,000 million to Rs 5,000 million
Over 5,000 million

Tariff per annum

0.17% p.a of the net assets
Rs 1.7 million plus 0.085% p.a. Of the net assets exceeding Rs 1,000 million
Rs. 5.1 million plus 0.07% p.a. of net assets exceeding Rs 5,000 million.

- 6.1 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2016.

6.2 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 6.3 Under the provisions of the NBFC Regulations, a collective investment scheme categorised as "Shariah Compliant Money Market Scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 % of the average annual net assets of the Fund. The fee is paid annually in arrears.

| | Note | (Un-Audited) March 31, 2018 (Rupees in '000) |
|---|------|---|
| 9 ACCRUED EXPENSES AND OTHER LIABILITIES | | |
| Provision for Sindh Workers' Welfare Fund | 9.1 | 123 |
| Auditors' remuneration | | 31 |
| Bank charges | | 1 |
| Shariah advisor fee | | 33 |
| Capital gain tax | | 1 |
| Legal and professional charges | | 8 |
| Listing fee | | 3 |
| Fund rating fee | | 15 |
| Printing | | 3 |
| | | <u>218</u> |

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

In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP on January 12, 2017 recommended all its members that as a matter of abundant caution the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015). Accordingly, the Fund has charged provision for SWWF from inception of the Fund..

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at March 31, 2018 would have been higher by Re 0.0007 per unit.

CONTINGENCIES AND COMMITMENTS

- 10 There were no contingencies outstanding as at March 31, 2018.

TAXATION

- 11 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 period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision for taxation has been made in this interim financial statement.

NAFA ISLAMIC MONEY MARKET FUND

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.

12 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 0.54% per annum including 0.10 % representing government levies on collective investment scheme such as sales tax, Sindh Worker's Welfare Fund and SECP fee for the period.

13 TRANSACTIONS WITH CONNECTED PERSONS

13.1 Connected persons include NBP Fund Management Limited (Formerly;NBP Fullerton Asset Management Limited) being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Pension Fund, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding 10 percent or more units of the Fund.

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

13.3 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.

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

**For the period
from February 28,
2018 to
March 31, 2018
(Rupees in '000)**

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

NABP Fund Management Limited - Management Company (Formerly;NBP Fullerton Asset Management Limited)

| | |
|--|-------|
| Remuneration of the Management Company | 1,420 |
| Sindh sales tax on remuneration of the Management Company | 185 |
| Accounting and operational charges to the Management Company | 142 |

Central Depository Company of Pakistan Limited - Trustee

| | |
|--|-----|
| Remuneration of the Trustee | 191 |
| Sindh Sales Tax on remuneration of the Trustee | 25 |

CDC Trustee NAFA Islamic Capital Preservation Plan - I

| | |
|---|-----------|
| Units issued during the period: 174,285,773 units | 1,743,379 |
| Units redeemed during the period: 5,530,574 units | 55,500 |

NAFA ISLAMIC MONEY MARKET FUND

As at March 31,
2018
(Rupees in '000)

13.6 Amounts outstanding as at period end

NBP Fund Management Limited - Management Company (Formerly;NBP Fullerton Asset Management Limited)

| | |
|--|-------|
| Remuneration of the Management Company | 1,420 |
| Sindh Sales Tax on the Management Company's remuneration | 185 |
| Sales load | 14 |
| Sindh Sales Tax on sales load | 2 |
| Accounting and operational charges | 142 |
| Preliminary and Floatation costs payable | 1,268 |
| Other payable | 21 |

Central Depository Company of Pakistan Limited - Trustee

| | |
|----------------------|-----|
| Remuneration payable | 191 |
| Sales Tax | 25 |

CDC Trustee NAFA Islamic Capital Preservation Plan - I

| | |
|-------------------------------|-----------|
| Units held: 168,755,199 units | 1,693,847 |
|-------------------------------|-----------|

Summit Bank Limited

| | |
|--------------|-----|
| Bank balance | 819 |
|--------------|-----|

14 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on April 30, 2018.

15 GENERAL

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

15.2 Comparative information is not available as the Fund commenced its operations on February 28, 2018 as stated above.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Head Office

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