

AM2++
Rated by PACRA



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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

ANNUAL REPORT 2016



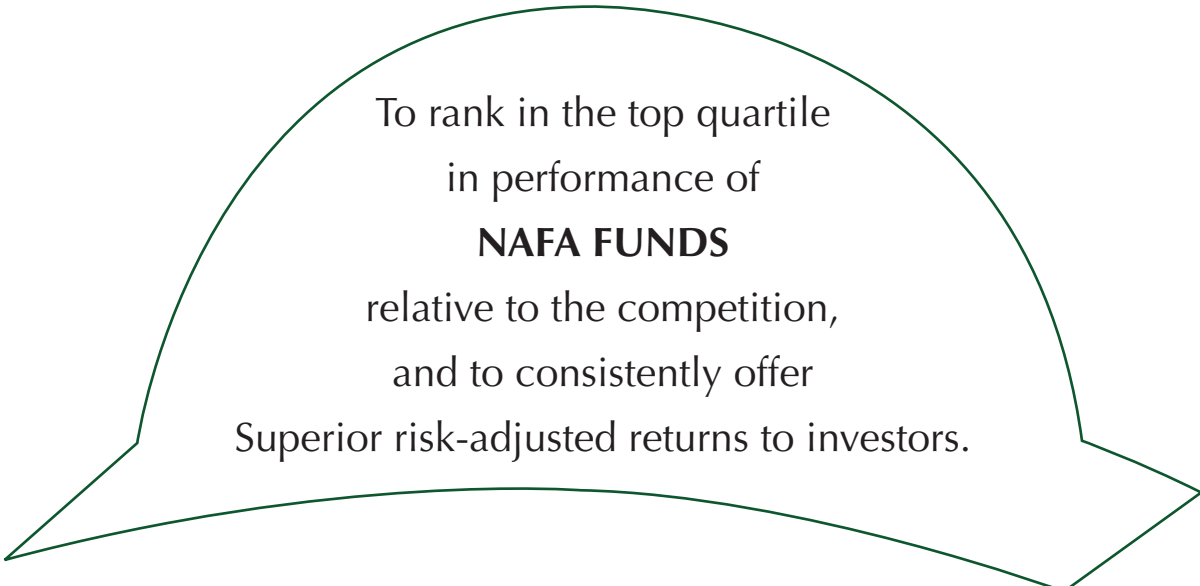
Your investments & "NAFA" grow together



**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 ISLAMIC PRINCIPAL PROTECTED FUND - I

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 & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

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 Shakra-e-Faisal, Karachi.

Bankers to the Fund

Bank Alfalah Limited
Habib Bank Limited
United Bank Limited
National Bank of Pakistan
Meezan Bank Limited
Sindh Bank Limited
Habib Metropolitan Bank Limited
Bank Al Habib Limited
Soneri Bank Limited
Allied Bank Limited

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

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:

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

Multan Office:

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

Contents

DIRECTORS' REPORT	05
TRUSTEE REPORT TO THE UNIT HOLDERS	10
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	11
FUND MANAGER REPORT	14
STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	16
REPORT OF THE SHARIAH ADVISOR	17
REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE	18
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	19
STATEMENT OF ASSETS AND LIABILITIES	20
INCOME STATEMENT	21
STATEMENT OF COMPREHENSIVE INCOME	22
DISTRIBUTION STATEMENT	23
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	24
CASH FLOW STATEMENT	25
NOTES TO THE FINANCIAL STATEMENTS	26
PERFORMANCE TABLE	43
PROXY ISSUED BY THE FUND	44

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. Sajjad Anwar, CFA
Chief Investment Officer



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



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Syed Suleman Akhtar CFA
Head of Research



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



Mr. Asim Wahab Khan, CFA
Head of Equity



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman ACA, CICA
Senior Manager Compliance

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Third Annual Report of **NAFA Islamic Principal Protected Fund - I** for the year ended June 30, 2016.

NAFA launched its first open-end Islamic capital protected fund on March 05, 2014, namely NAFA Islamic Principal Protected Fund (NIPPF-I). The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved Shariah compliant equities and money market instruments while protecting initial investment value at Initial Maturity date, which is two years from launch date. The Fund is presently closed for new subscription.

Fund's Performance

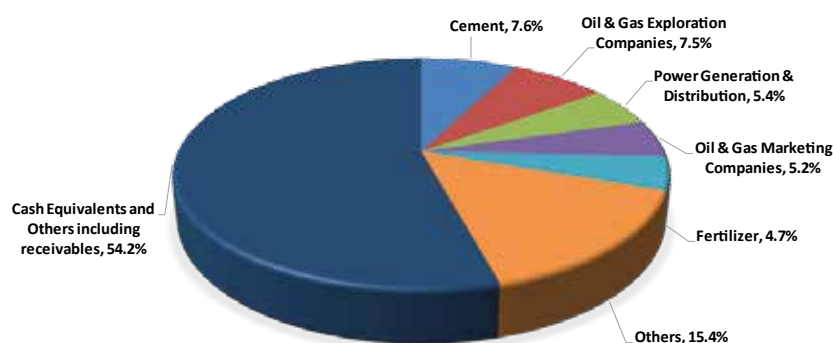
The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with a 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the large cap energy stocks, and news of Pakistan's re-entry in the MSCI EM Index from next year. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger returns this fiscal year due to inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects.

On the corporate debt sphere, trading activity in Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. During the period under review (FY16), due to further abatement in inflationary pressures (average inflation of 2.9%), State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps following a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 6% by FY17 year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

During the period, the unit price of NAFA Islamic Principal Protected Fund - I has increased from Rs. 107.2386 (Ex-Div) on June 30, 2015 to Rs. 111.7228 on June 30, 2016, thus showing an increase of 4.18%. The benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) return during the same period was 7.68%. Thus, the Fund underperformed its benchmark by 3.50% during the period under review. Since inception (March 05, 2014), NIPPF-I has risen by 29.74%, whereas the Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) has increased by 23.82%, thus to date out-performance is 5.92%.

This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-I is Rs.687 million as of June 30, 2016.

The Fund has earned a total income of Rs.69.60 million during the year. After deducting total expenses of Rs.42.38 million, the net income is Rs.27.22 million. The asset allocation of NAFA Islamic Principal Protected Fund - I as on June 30, 2016 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim bonus dividend of 7.69% of opening Ex-NAV (9.21% of the par value) and interim cash dividend of 2.74% of opening Ex-NAV (3.28% of the par value) for the year.

Taxation

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

Auditors

The present auditors, Messrs A.F.Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2017.

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 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 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 18 to these financial statements.

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 23, 2016
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 30 جون 2016ء کو ختم ہونے والے سال کے لیے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-I کی تیسری سالانہ رپورٹ پیش کرتا ہے۔

NAFA نے 05 مارچ 2014 کو اسلامک پرنسپل پروٹیکٹڈ فنڈ-I (NIPPF-I) کے نام سے اپنا پہلا اوپن اینڈ اسلامک کیپیٹل پروٹیکٹڈ فنڈ لانچ کیا۔ اس فنڈ کا مقصد پونٹ ہولڈر کی سرمایہ کاری کو منظور شدہ شریعہ کیپلائٹ ایکویٹیٹیز اور منی مارکیٹ انسٹرومنٹس میں طویل مدتی مواقع فراہم کرنا، جب کہ ان کی ابتدائی سرمایہ کاری کو ابتدائی میچورٹی کی تاریخ تک تحفظ فراہم کرنا ہے، جو لانچ کی تاریخ سے دو سال ہے۔ یہ فنڈ فی الوقت نئے اندراج کے لیے بند ہے۔

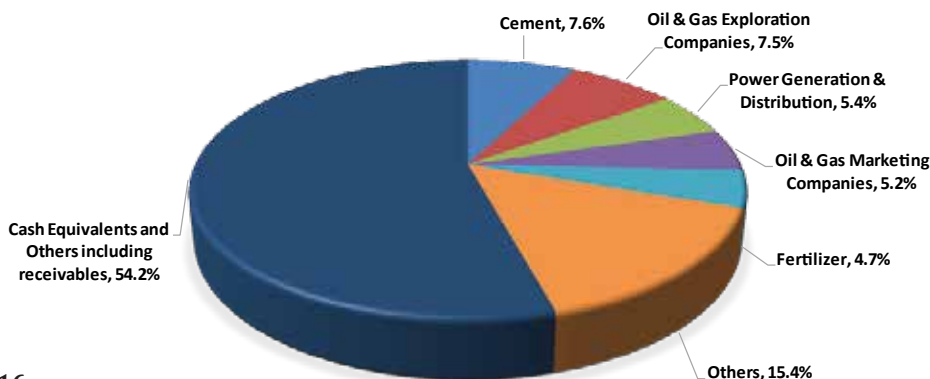
فنڈ کی پرفارمنس

اسٹاک مارکیٹ نے کموڈٹیٹیز میں زبردست مندی اور چین کی زیر قیادت عالمی نمو پر خدشات کے زیر اثر علاقائی اور عالمی مارکیٹس کے مطابق غیر متاثر کارکردگی سے مالی سال 2015-16 کا آغاز کیا۔ لیکن سال کے دوسرے نصف میں ایک زبردست بحالی کے نتیجے میں مقامی اسٹاک ایکسچینج سال کے آخر میں 9.8 فی صد منافع کے ساتھ بند ہوئے۔ سال کے پہلے نصف کے دوران مارکیٹ آئل اینڈ گیس سیکٹر میں خام تیل کی قیمتوں میں تیزی سے کمی اور غیر ملکی سرمایہ کاروں کی طرف سے بے روک ٹوک حصص کی فروخت کے نتیجے میں پر دباؤ میں رہی۔ تاہم مارکیٹ نے دوسرے نصف میں خساروں سے کہیں زیادہ ازالہ کر لیا، جیسا کہ خام تیل کی قیمتوں کی بحالی کا نتیجہ بھاری سرمائے والے انرجی اسٹاکس کی طرف سے زبردست منافع جات کی صورت میں برآمد ہوا اور پاکستان کی آئندہ سال سے MSCI EM میں دوبارہ شمولیت کی خبر سامنے آئی۔ NBFCs، انفرادی اور میچل فنڈز خالصتاً خریدار رہے اور انہوں نے غیر ملکی سرمایہ کاروں کی طرف سے حصص کی فروخت کے بڑے حصے کو جذب کر لیا۔ اتار چڑھاؤ سے بھرپور مالی سال 2015-16 کے بعد MSCI ایمریکن انڈیکس میں شمولیت، قیمتوں کے معقول تعین اور حکومت کی طرف سے CPEC پروجیکٹس کے نفاذ کے ساتھ انفراسٹرکچر پروجیکٹ پر توجہ مرکوز کرنے کی وجہ سے پاکستانی ایکویٹیٹیز زبردست منافع جات پیش کرنے کے لیے عمدہ پوزیشن میں ہیں۔

کاروباری قرض کے حلقے میں TFCs/سکوک میں تجارتی سرگرمیوں کے اعلیٰ کوالٹی اجرائی کارروائیوں کی طرف جھکاؤ کے ساتھ مجموعی تجارتی حجم نے تقریباً 8 ارب روپے کی سطح تک پہنچ گیا۔ لیکن دین کا اصل ارتکاز بیکاری کے شعبے میں رہا جس کا حصہ 43% بنتا ہے۔ زیر جائزہ مدت (مالی سال 2016) کے دوران، افراط زر کے دباؤ میں مزید کمی کے ساتھ (اوسط افراط زر 2.9%)، اسٹیٹ بینک آف پاکستان نے مالی سال 2015 میں پالیسی ریٹ میں 300 بنیادی پوائنٹس کی مجموعی کمی کے بعد 75 بنیادی پوائنٹ مجموعی طور پر مزید کم کر دیے۔ SBP نے اپنے پالیسی بیان میں درج ذیل کی نشان دہی کی ہے (i) مجموعی معاشی حالات میں بہتری (ii) امن و امان کی بہتر صورت حال اور (iii) چین پاکستان اقتصادی راہداری (CPEC) کے تحت سرمایہ کاری کی بدولت نمو کے مثبت امکانات۔ زیر جائزہ مدت کے دوران آزادانہ منافع جات نے پالیسی ریٹ میں 75 بنیادی پوائنٹس کی کمی کے مطابق رول دکھایا۔ ہم مالی سال 2017 کے آخر تک ایشیائے صرف کی قیمتوں کی جزوی بحالی، پاکستانی روپے کی قدر میں محدود کمی اور نئی شعبے کے قرضوں میں اضافے کی وجہ سے افراط زر کو 6% تک بڑھتا دیکھ رہے ہیں۔

اسلامک پرنسپل پروٹیکٹڈ فنڈ-I (NIPPF-I) کے پونٹ کی قیمت 30 جون 2015 پر 107.2386 روپے (ex-Div) سے 30 جون 2016 کو 111.7228 روپے تک بڑھ چکی ہے، لہذا 4.18% اضافہ دکھایا ہے۔ اسی مدت کے دوران بیٹج مارک (KMI-30) انڈیکس کا یومیہ میزان اور فنڈز کی اصل ایلوکیشن پرنسپل اسلامک بینک ڈپازٹس (منافع 7.68% ex-Div) تھا، لہذا فنڈ نے زیر جائزہ مدت کے دوران اپنے بیٹج مارک سے 3.50% کم تر کارکردگی کا مظاہرہ کیا۔ اپنے قیام (05 مارچ 2014) سے اب تک NIPPF-I میں 29.74% اضافہ ہوا ہے، جب کہ بیٹج مارک (KMI-30) انڈیکس کا یومیہ میزان اور فنڈز کی اصل ایلوکیشن پرنسپل اسلامک بینک ڈپازٹس (23.82% بڑھا ہے، لہذا اتنا حال فنڈ کو 5.92% برتری حاصل ہے۔ یہ منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص نتیجہ ہے۔ NIPPF-I کا حجم بمطابق 30 جون 2016، 687 ملین روپے ہے۔

فنڈ نے سال کے دوران 69.60 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 42.38 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 27.22 ملین روپے ہے۔ NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-I کی ایسیٹ ایلوکیشن 30 جون 2016 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منجھٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران ابتدائی NAV-ex کا 7.69% (ویلیو کے مساوی 9.21%) بونس ڈیویڈنڈ اور ابتدائی NAV-ex کا 2.74% (ویلیو کے مساوی 3.28%) کیش ڈیویڈنڈ منظور کیا ہے۔

ٹیکسیشن

جیسا کہ مندرجہ بالا کیش ڈیویڈنڈ، انویسٹمنٹس کے تصرف شدہ اور غیر تصرف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس پر سال کے دوران کمائی گئی آمدنی کے 90% سے زائد ہے، انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ I کی شق 99 کے تحت فنڈ پر ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز ایف فرگن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور رہنمائے اہلیت، خود کو مختتمہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجھٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔

5- انٹرنل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔

9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- اس مدت کے دوران منجھٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CFO، CEO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 18 میں ظاہر کی گئی ہے۔

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجھٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج

کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

23 ستمبر 2016

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Principal Protected Fund – I (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, 2016 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: September 30, 2016

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA Islamic Principal Protected Fund - I** (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited 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.

The Company, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Pakistan Stock Exchange Limited.

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. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2016, 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 5.19.1(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. No casual vacancy occurred during the year.
5. The 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 ISLAMIC PRINCIPAL PROTECTED FUND - I

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 Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (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. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and 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 18 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 non-executive director.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

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 enshrined in the CCG have been complied with expect the following:
 - As per the Code, the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.

For and behalf of the Board

Karachi
September 23, 2016

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

FUND MANAGER REPORT

NAFA Islamic Principal Protected Fund-I

NAFA Islamic Principal Protected Fund-I is an Open-ended Shariah Compliant Capital Protected Fund.

Investment Objective of the Fund

The objective of NAFA Islamic Principal Protected Fund-I is to earn a potentially high return through dynamic asset allocation between shariah compliant Equities and Money Market investment avenues, while providing principal protection.

Benchmark

The Benchmark of the Fund is daily weighted return of KMI-30 index & Islamic Bank Deposits based on Fund's actual allocation.

Fund performance review

This is the third annual report of the Fund. During the period, the unit price of NAFA Islamic Principal Protected Fund - I has increased from Rs. 107.2386 (Ex-Div) on June 30, 2015 to Rs. 111.7228 (Ex-Div) on June 30, 2016, thus showing an increase of 4.18%. The benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) return during the same period was 7.68%. Thus, the Fund underperformed its benchmark by 3.50% during the period under review. Since inception (March 05, 2014), NIPPF-I has risen by 29.74%, whereas the Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) has increased by 23.82%, thus to date out-performance is 5.92%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-I is Rs.687 million as of June 30,2016.

The Fund has gradually built its position in equities and its current stock exposure stands at around 45.8%. Key holdings of the Fund belong to Oil & Gas Exploration Companies, Oil & Gas Marketing Companies, Power Generation & Distribution, Cement and Fertilizer sectors. The Fund can invest up to 50% in equities.

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the heavy eight energy stocks and Pakistan's re-entry in MSCI EM Index from next year boosted general investor sentiment. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger return this year as inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects will keep local & foreign investors' interest strong in the market.

On the corporate debt sphere, trading activity in Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. Due to further abatement in inflationary pressures as captured in FY16 average inflation of 2.9%, State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps in FY16 up on the heels of a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 5.5% by year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-16	30-Jun-15
Equities / Stocks	45.82%	47.83%
Sukuk	-	3.27%
Cash Equivalents	58.67%	50.00%
Other Net Liabilities	-4.49%	-1.10%
Total	100.00%	100.00%

Distribution for the Financial Year 2016

Interim / Final	Dividend as a % of Par Value (Rs.100)	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Interim bonus distribution	9.2066%	117.3268	108.1202
Interim cash distribution	3.2760%	114.9004	111.6244

Unit Holding Pattern of NAFA Islamic Principal Protection Fund-I as on June 30, 2016

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	43
1,001	5,000	76
5,001	10,000	31
10,001	50,000	49
50,001	100,000	10
100,001	500,000	20
500,001	1,000,000	1
Total		230

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 7.552 million. If the same were not made, the NAV per unit/last one year return of scheme would have been higher by Rs 1.2280 / 1.12%. For details, investors are advised to read the Note 16 of the Financial Statements of the Scheme for the year ended June 30, 2016.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NAFA Islamic Principal Protected Fund - I (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2016. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 23, 2016
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

Report of the Shari'ah Supervisory Board – NAFA Islamic Principal Protected Fund – I

September 20, 2016/Dhu al-Hijjah 17, 1437

Alhamdulillah, the period from July 1, 2015 to June 30, 2016 was the third year of the operations of NAFA Islamic Principal Protected Fund (NIPPF – I). This report is being issued in accordance with clause 4.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

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

- i. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIPPF – I are Shari'ah Compliant and in accordance with the criteria established by us.
- ii. There are investments made by NIPPF – I where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIPPF – I for the year ended June 30, 2016 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 608,484/- was created and an amount of Rupees 487,215/- was available for disbursement into charity as of June 30, 2016. However, the provisional amount will be adjusted after the availability of the respective annual financial statements.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

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 Islamic Principal Protected Fund I** (the Fund) for the year ended June 30, 2016 to comply with clause 5.19 of the Pakistan Stock Exchange Limited Regulations where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board'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, 2016.

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	A mechanism for an evaluation of the Board's own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board.

A.F. Ferguson & Co.
Chartered Accountants
Dated: September 30, 2016
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS *Report on the Financial Statements*

We have audited the accompanying financial statements of **NAFA Islamic Principal Protected Fund - I** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2016, 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.

Auditor's responsibility

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

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 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, 2016 and of its financial performance, its cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Shahbaz Akbar**
Dated: September 30, 2016
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

	Note	2016 -----Rupees in '000-----	2015
ASSETS			
Balances with banks	4	403,489	856,369
Investments	5	314,827	872,464
Dividend and profit receivable	6	2,736	6,259
Advances, deposits and other receivables	7	2,666	2,600
Preliminary expenses and floatation costs	8	-	789
Total assets		723,718	1,738,481
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	18,923	15,893
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	88	184
Payable to the Securities and Exchange Commission of Pakistan	11	1,012	1,261
Accrued expenses and other liabilities	12	11,476	13,868
Payable against redemption of units		5,147	-
Total liabilities		36,646	31,206
NET ASSETS		687,072	1,707,275
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		687,072	1,707,275
CONTINGENCIES AND COMMITMENTS			
	13	-----Number of units-----	
NUMBER OF UNITS IN ISSUE	14	6,149,790	14,216,154
		-----Rupees-----	
NET ASSET VALUE PER UNIT	3.12	111.7228	120.0940

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 -----Rupees in '000-----	2015
INCOME			
Capital (loss) / gain on sale of investments - net		(33,856)	99,489
Profit on bank deposits		47,260	69,559
Income from GoP Ijarah Sukuk		1,508	3,275
Dividend income		32,387	40,174
Unrealised appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.3	16,545	173,109
Total income		63,844	385,606
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	26,995	33,616
Sindh sales tax on Management Company's remuneration	9.2	4,384	5,849
Federal excise duty on Management Company's remuneration	9.3	4,319	5,379
Accounting and operational charges	9.4	667	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	1,755	2,185
Sindh sales tax on remuneration of the Trustee	10.2	246	-
Annual fee - Securities and Exchange Commission of Pakistan	11.1	1,012	1,261
Amortisation of preliminary expenses and floatation costs	8	789	1,161
Auditors' remuneration	15	426	384
Legal & professional expenses		125	125
Annual listing fee		40	40
Printing charges		100	90
Securities transaction cost		915	1,613
Settlement and bank charges		423	346
Shariah advisor fee		179	-
Total expenses		42,375	52,049
Net Income from operating activities		21,469	333,557
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		5,754	705
Provision for Workers' Welfare Fund	16	-	(6,685)
Net income for the year before taxation		27,223	327,577
Taxation	17	-	-
Net income for the year after taxation		27,223	327,577
Earnings per unit	3.11		

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
Net income for the year after taxation	27,223	327,577
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>27,223</u>	<u>327,577</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
Undistributed income at the beginning of the year comprising of:		
Realised gain	115,809	1,068
Unrealised gain	173,109	26,228
	<u>288,918</u>	<u>27,296</u>
Net income for the year after taxation	27,223	327,577
Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed - net	-	(20,378)
Distributions made during the year:		
Cash distribution		
- Re 0.3152 per unit declared on July 16, 2015 (2015:Nil)	(4,455)	-
Bonus distribution		
- Rs 9.2066 per unit declared on February 26, 2016 (2015:Nil)	(105,802)	-
Cash distribution		
- Rs 3.2760 per unit declared on June 30, 2016 (Rs 3.2846 per unit declared on June 30, 2015)	(19,779)	(45,577)
Undistributed income carried forward	<u>186,105</u>	<u>288,918</u>
Undistributed income at the end of the year comprising of:		
Realised gain	169,560	115,809
Unrealised gain	16,545	173,109
	<u>186,105</u>	<u>288,918</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
Net assets at the beginning of the year	1,707,275	1,641,496
Issue of 191,303 units (2015: 340,123 units)	21,723	40,847
Redemption of 9,205,933 units (2015: 2,265,980 units)	(1,035,886)	(256,363)
	(1,014,163)	(215,516)
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	(5,754)	(705)
- transferred to distribution statement	-	20,378
	(5,754)	19,673
Issue of 948,266 bonus units (2015:Nil)	102,527	-
Unrealised appreciation on re-measurement of investments classified as financial asset 'at fair value through profit or loss' - net	16,545	173,109
Capital (loss) / gain on sale of investments - net	(33,856)	99,489
Other net income for the year	44,534	54,979
	27,223	327,577
Distributions made during the year:		
Cash distribution		
- Re 0.3152 per unit declared on July 16, 2015 (2015:Nil)	(4,455)	-
Bonus distribution		
- Rs 9.2066 per unit declared on February 26, 2016 (2015:Nil)	(105,802)	-
Cash distribution		
- Rs 3.2760 per unit declared on June 30, 2016		
(Rs 3.2846 per unit declared on June 30, 2015)	(19,779)	(45,577)
Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	-	(20,378)
Net assets at the end of the year	<u>687,072</u>	<u>1,707,275</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	27,223	327,577
Adjustments for:		
Profit on bank deposits	(47,260)	(69,559)
Income on government securities	(1,508)	(3,275)
Dividend income	(32,387)	(40,174)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(16,545)	(173,109)
Amortisation of preliminary expenses and floatation costs	789	1,161
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(5,754)	(705)
Provision for Workers' Welfare Fund	-	6,685
Federal excise duty on remuneration of the Management Company	4,319	5,379
	(98,346)	(273,597)
(Increase) / decrease in assets		
Investments	574,182	(7,038)
Receivables against sale of investments	-	2,115
Advances, deposits and other receivables	(66)	8,328
	574,116	3,405
Increase / (decrease) in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management Company	(1,289)	(4,848)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(96)	10
Payable to Securities and Exchange Commission of Pakistan	(249)	869
Accrued expenses and other liabilities	(8,178)	(1,730)
	(9,812)	(5,699)
Profit received on bank deposits	48,692	68,900
Profit received on government securities	1,540	3,243
Dividend received	34,446	40,052
Net cash generated from operating activities	577,859	163,881
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on redemption of units	(1,030,739)	(256,363)
Net cash used in financing activities	(1,030,739)	(256,363)
Net decrease in cash and cash equivalents during the year	(452,880)	(92,482)
Cash and cash equivalents at the beginning of the year	856,369	948,851
Cash and cash equivalents at the end of the year	403,489	856,369

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Principal Protected Fund-I (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on December 30, 2013 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 17, 2014 under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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 principal office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. Due to a fire incident in the month of June 2016 at the registered office of the Management Company, it's office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an Open-End "Shariah Compliant Capital Protected Fund Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).

The objective of NAFA Islamic Principal Protection Fund-I is to earn a potentially high return through dynamic asset allocation between shariah compliant equities and Money Market investment avenues, while providing principal protection. Principal protection means that the net realisable value of the Fund shall not fall below the initial investment value (adjusted for distributions / redemptions during the life of the Fund), provided that the units are held till the completion of the initial maturity of the Fund.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2++ to the Management Company as at August 4, 2016. The Fund has not yet been rated.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

The Fund commenced its operations from March 6, 2014. As per the offering document, the nature of the Fund is perpetual and the initial maturity of the fund is two years from the date of commencement. Principal protection will not be available if units are encashed before the expiry of initial maturity term.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

The following standard, interpretations and amendment to published approved accounting standards are mandatory for the financial year beginning on or after July 01, 2015 and is relevant to the Fund:

IFRS 13 'Fair Value Measurement' establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. Notwithstanding the above, the change had no significant impacts on the measurements of the Fund's assets and liabilities except for additional disclosures which are included in note 24 to these financial statements.

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

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

There are certain amendments to the existing published approved accounting standards, new interpretations and certain new standards that are mandatory for accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or will not have any significant effect on the Fund's financial statements and are, therefore, not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

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

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

2.5 Accounting Convention

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

2.6 Functional and Presentation Currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

3.2 Financial Assets

3.2.1 Classification

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

Investments are classified 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. This include held for trading instruments and such other instruments that upon initial recognition are designated under this category.

b) Loans and receivables

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

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed 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 classified as "at fair value through profit or loss" and "available for sale" are valued as follows:

- Basis of valuation of debt securities

The investment of the Fund in sharia compliant debt securities is 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 the 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.

- 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.

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

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

b) Loans and receivables

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

Gains or losses 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 assets or a group of financial assets is impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and shown as part of income before taxation.

The amount of provision for certain debt securities is determined based on the provisioning criteria specified by the Securities and Exchange Commission of Pakistan.

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 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.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is 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 the 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 two years in accordance with the requirements set out in the Trust Deed of the Fund.

3.7 Taxation

Current

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

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

Deferred

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

3.8 Proposed distribution

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the period in which such distributions are declared.

3.9 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.

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting year which pertains to element arising as a result of unrealised appreciation / (diminution) on available for sale investments in the distribution statement. The remaining portion of the element is recognised in the income statement.

3.11 Earnings per unit

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

3.12 Net assets value per unit

The Net Asset Value (NAV) per unit as disclosed on 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 period end.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

3.13 Revenue recognition

- Dividend income on equity securities is recognised in the income statement when the right to receive dividend is established.
- Realised capital gains / (losses) arising on sale of equity investments are included in the income statement on the date at which the sale transaction takes place.
- Profit on bank deposits is recognised on an accrual basis.
- Unrealised gains / (losses) arising on re-measurement of investments classified as financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

3.14 Expenses

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

	Note	2016	2015
-----Rupees in '000-----			
4 BALANCES WITH BANKS			
Profit and loss savings accounts	4.1 4.2	402,556	838,151
Current account		933	18,218
		<u>403,489</u>	<u>856,369</u>

4.1 These carry profits at rates ranging from 2.40% to 6.70% (June 30, 2015: 3.90% to 10.25%) per annum.

4.2

This includes deposit of Rs 0.893 million (2015: Rs 0.065 million), which is maintained with the National Bank of Pakistan, a related party and carries profit rate of 3.5% (2015: 3.90%) per annum.

	Note	2016	2015
-----Rupees in '000-----			
5 INVESTMENTS			
Financial assets classified as 'at fair value through profit or loss'			
Listed equity securities	5.1	314,827	816,603
Government Securities - GoP Ijarah Sukuk	5.2	-	55,861
		<u>314,827</u>	<u>872,464</u>

5.1 Listed equity securities

All shares have a nominal face value of Rs10 each except for the shares of Thal Limited which have a face value of Rs5 and K-Electric Limited which have a face value of Rs3.5 each.

Name of the Sector / investee company	Number of shares					Market value as at June 30, 2016	Market Value as a percentage of		Holding as a percentage of Paid up capital of the investee company
	As at July 1, 2015	Purchases during the period	Bonus / Right Issue	Sales / during the period	As at June 30, 2016		Net assets	Total investments	
						(Rupees in '000)	-----%-----		
Automobile Assembler									
Ghandhara Nissan Limited	96,500	-	-	96,500	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	45,700	9,400	-	55,100	-	-	-	-	-
Indus Motor Company Limited	27,850	-	-	2,100	25,750	24,193	3.52	7.68	0.03
Pak Suzuki Motor Company Limited	42,400	20,400	-	62,800	-	-	-	-	-
						24,193	3.52	7.68	
Automobile Parts and Accessories									
Thal Limited	137,200	-	-	137,200	-	-	-	-	-
Cable and Electrical Goods									
Pak Elektron Limited	239,500	-	59,875	196,500	102,875	6,651	0.97	2.11	0.02
Cement									
Attock Cement Pakistan Limited	-	46,400	-	-	46,400	11,076	1.61	3.52	0.04
D.G. Khan Cement Company Limited	335,000	27,000	-	314,700	47,300	9,010	1.31	2.86	0.01
Fauji Cement Company Limited	-	336,000	-	65,500	270,500	9,684	1.41	3.08	0.02
Lucky Cement Limited	107,100	20,300	-	107,400	20,000	12,970	1.89	4.12	0.01
Maple Leaf Cement Factory Limited	475,000	25,500	-	477,500	23,000	2,427	0.36	0.77	- *
Pioneer Cement Limited	272,500	151,000	-	357,500	66,000	7,088	1.03	2.25	0.03
						52,255	7.61	16.60	
Chemical									
Akzo Nobel Pakistan Limited	43,300	-	-	43,300	-	-	-	-	-
Commercial Banks									
Meezan Bank Limited	332,000	37,500	-	197,500	172,000	7,310	1.06	2.32	0.02
Engineering									
Mughal Iron and Steel Industries Limited	-	138,500	-	7,000	131,500	8,835	1.29	2.81	0.10

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

Name of the Sector / investee company	Number of shares					Market value as at June 30, 2016	Market Value as a percentage of		Holding as a percentage of Paid up capital of the investee company
	As at July 1, 2015	Purchases during the period	Bonus / Right Issue	Sales / during the period	As at June 30, 2016		Net assets	Total investments	
(Rupees in '000) -----%-----									
Fertilizer									
Engro Corporation Limited	231,900	59,900	-	242,200	49,600	16,515	2.40	5.25	0.01
Engro Fertilizers Limited	351,000	163,500	-	359,000	155,500	10,027	1.46	3.18	0.01
Fauji Fertilizer Bin Qasim Limited	-	105,000	-	-	105,000	5,566	0.81	1.77	0.01
Fauji Fertilizer Company Limited	36,000	-	-	36,000	-	-	-	-	-
						32,108	4.67	10.20	
Food and Personal Care Products									
Al Shaheer Corporation Limited	-	170,000	-	-	170,000	8,876	1.29	2.82	0.14
Oil and Gas Exploration Companies									
Mari Petroleum Company Limited	-	7,300	-	-	7,300	6,630	0.97	2.11	0.01
Pakistan Oilfields Limited	87,400	70,200	-	98,800	58,800	20,432	2.97	6.49	0.02
Pakistan Petroleum Limited	237,900	206,100	-	285,200	158,800	24,622	3.58	7.82	0.01
						51,684	7.52	16.42	
Oil and Gas Marketing Companies									
Attock Petroleum Limited	17,400	1,300	-	3,800	14,900	6,519	0.95	2.07	0.02
Hascol Petroleum Limited (Note 5.4)	435	-	87	-	522	102	0.01	0.03	- *
Pakistan State Oil Company Limited	91,880	34,500	-	69,100	57,280	21,506	3.13	6.83	0.02
Shell Pakistan Limited	55,600	2,000	-	31,100	26,500	7,691	1.12	2.45	0.02
Sui Northern Gas Pipelines Limited	-	96,000	-	96,000	-	-	-	-	-
						35,818	5.21	11.38	
Paper and Board									
Packages Limited	-	18,500	-	4,800	13,700	8,716	1.27	2.77	0.02
Pharmaceuticals									
Abbott Laboratories Pakistan Limited	3,500	-	-	3,500	-	-	-	-	-
Ferozsons Laboratories Limited	10,000	-	-	10,000	-	-	-	-	-
Glaxo Smith Kline Pakistan Limited	-	37,500	-	-	37,500	7,767	1.13	2.47	0.01
Glaxo Smith Kline Consumer Healthcare Pakistan Limited**	-	-	11,250	-	11,250	698	0.10	0.22	-
The Searle Company Limited (Note 5.4)	-	21,000	2,100	5,500	17,600	9,436	1.38	3.00	0.01
						17,901	2.61	5.69	
Power Generation and Distribution									
K-Electric Limited	900,000	-	-	900,000	-	-	-	-	-
Kot Addu Power Company Limited	790,000	-	-	569,000	221,000	19,724	2.87	6.26	0.03
Lalpir Power Limited	920,500	-	-	920,500	-	-	-	-	-
Pakgen Power Limited	-	147,000	-	146,500	500	12	- *	- *	- *
The Hub Power Company Limited	817,500	43,000	-	714,300	146,200	17,553	2.56	5.58	0.01
						37,289	5.43	11.84	
Refinery									
Attock Refinery Limited	-	36,000	-	36,000	-	-	-	-	-
National Refinery Limited	-	16,500	-	10,100	6,400	3,043	0.44	0.97	0.01
						3,043	0.44	0.97	
Technology and Communication									
Pakistan Telecommunication Company Limited	-	334,000	-	245,000	89,000	1,338	0.19	0.42	- *
Textile Composite									
Kohinoor Textile Mills Limited (Note 5.4)	606,000	102,000	21,000	606,000	123,000	9,844	1.43	3.12	0.04
Nishat Mills Limited	227,600	20,500	-	165,000	83,100	8,966	1.31	2.85	0.02
						18,810	2.74	5.97	
						314,827	45.82	100.00	
Carrying value as at June 30, 2016						298,282			
Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net as at June 30, 2016						16,545			

* Nil value due to rounding off difference.

** During the year Glaxo Smith Kline Pakistan Limited (GSK) announced a demerger scheme whereby three ordinary shares of GSK Consumer Healthcare Pakistan Limited (GSK CHC) were issued for every ten ordinary shares held in GSK. The net assets of the consumer health business on the said date were 7.67% of net assets of the total assets of GSK and hence market price has been adjusted accordingly. GSK CHC is under the process of being listed on the stock exchange.

Investments include shares with market value of Rs 43.677 million (2015: Rs 54.775 million) 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 SECP.

5.2 Government Securities - GoP Ijarah Sukuk

Issue Date	Coupon rate / tenor	Number of certificates				Market value as at June 30, 2016	Investment as percentage of	
		As at July 01, 2015	Purchases during the year	Matured during the year	As at June 30, 2016		Net assets	Market value of total investments
June 28, 2012	6.9355 /	-	11,100	-	11,100			
	November 21, 2015							
Carrying value as at June 30, 2016								
Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net as at June 30, 2016								

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

Note 2016 2015
-----Rupees in '000-----

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

Market value of investments	5.1 & 5.2	314,827	872,464
Less: Carrying value of investments		<u>298,282</u>	<u>699,355</u>
		<u>16,545</u>	<u>173,109</u>

5.4 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001. As a result of these amendments, companies are liable to withhold bonus shares at the rate of 5 percent. In accordance with the requirement of the Ordinance these shares shall only be released if the fund deposit tax equivalent to 5% of the value of the bonus shares issued. The value of tax is computed on the basis of day-end price on the first day of book closure.

In this regard, a constitution petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

As at June 30, 2016, the following bonus shares of the Fund were withheld by certain companies at the time of bonus declaration. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Name of the company	June 30, 2016		June 30, 2015	
	Bonus Shares			
	Number	Market value	Number	Market value
		Rupees in '000'		Rupees in '000'
Hascol Petroleum Limited	522	102	435	50
Kohinoor Textile Mills Limited	1,050	84	-	-
The Searle Company Limited	105	56	-	-
		<u>242</u>		<u>50</u>

Note 2016 2015
-----Rupees in '000-----

6 DIVIDEND AND PROFIT RECEIVABLE

Profit accrued on saving deposits	2,377	3,809
Dividend receivable	359	2,418
Profit accrued on GOP Ijarah sukuk	-	32
	<u>2,736</u>	<u>6,259</u>

7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited	100	100
Tax withheld on dividend	66	-
	<u>2,666</u>	<u>2,600</u>

8 PRELIMINARY EXPENSES AND FLOATATION COSTS

At the beginning of the year	789	1,950
Less: Amortisation during the year	8.1 (789)	(1,161)
At the end of the year	<u>-</u>	<u>789</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are amortised over a period of two years commencing from March 06, 2014 as per the requirements set out in the Trust Deed.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

	Note	2016	2015
		-----Rupees in '000-----	
9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	1,180	2,835
Sindh sales tax on remuneration of Management Company	9.2	192	493
Federal excise duty on remuneration of Management Company	9.3	11,370	7,051
Sales load payable		5,514	5,514
Accounting and operational charges	9.4	667	-
		<u>18,923</u>	<u>15,893</u>

9.1 The Management Company has charged remuneration at the rate of 2% (2015: 2%) per annum based on the daily net assets of the Fund. The amount of remuneration is being paid monthly in arrears.

9.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 14% (2015: 15%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

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

On 4 September 2013, a Constitutional Petition has been filed in the Honorable Sindh High Court (SHC) jointly by various asset management Companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

Subsequent to year ended June 30, 2016; the SHC has passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) have been set aside.

With effect from July 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on management fee from July 01, 2016. However, the provision made till June 30, 2016, aggregating to Rs. 11.370 million (2015: Rs. 7.051 million) (including Rs. 4.319 million for the current year) has not been reversed as the management believes that the Federal Government retains the right to appeal against the said order in the Supreme Court within the prescribed timeline. Had the provision not been made, the Net Asset Value per unit of the Fund as at June 30, 2016 would have been higher by Rs 1.8489 (2015: Re 0.4960) per unit.

9.4 During the year, the SECP vide SRO No 1160 (1) / 2015 dated November 25, 2015 introduced amendments in the NBFC regulations. As a result of these amendments, the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to collective investment schemes upto maximum of 0.1% of the average annual net assets of the scheme or actual whichever is less. Based on these requirements, the Management Company has charged operating expenses amounting to Rs 0.667 million to the Fund from November 25, 2015 to June 30, 2016.

	Note	2016	2015
		-----Rupees in '000-----	
10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee remuneration	10.1	77	184
Sindh sales tax on trustee remuneration	10.2	11	-
		<u>88</u>	<u>184</u>

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff structure specified therein, based on the daily net assets of the Fund. The fee is paid on a monthly basis in arrears at the rate of 0.13% of the net assets. There is no change in tariff structure in the current year.

10.2 The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services and has levied Sindh Sales Tax on custodianship services. Accordingly, Sindh Sales Tax of 14% is charged on Trustee fee under section 2(79A) of the Sindh Finance Bill, 2010 with effect from July 01, 2015.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

	Note	2016 -----Rupees in '000-----	2015
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>1,012</u>	<u>1,261</u>
11.1	Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Shariah Compliant Capital Protected Scheme is required to pay an annual fee to SECP at an amount equal to 0.075 percent of the average annual net assets of the fund. There has been no change in this percentage in the current year.		
	Note	2016 -----Rupees in '000-----	2015
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		318	291
Provision for Workers' Welfare Fund	16	7,552	7,552
Payable to brokers		-	81
Settlement charges		26	69
Bank charges		21	53
Printing charges		122	101
Withholding tax		2,184	4,835
Legal Fee		121	125
Haram portion of dividend	12.1	953	761
Shariah advisory fee		<u>179</u>	<u>-</u>
		<u>11,476</u>	<u>13,868</u>
12.1	Total haram portion of dividend for the year amounted to Rs 0.622 million (2015: Rs 0.729 million). Dividend income is recorded net of haram portion.		
13 CONTINGENCIES AND COMMITMENTS			
There were no contingencies and commitments outstanding as at June 30, 2016 and June 30, 2015.			
14 NUMBER OF UNITS IN ISSUE		2016 -----Number of units-----	2015
Total number of units at the beginning of the year		14,216,154	16,142,011
Add: units issued during the year		191,303	340,123
Add: bonus units issued during the year		948,266	-
Less: units redeemed during the year		<u>(9,205,933)</u>	<u>(2,265,980)</u>
Total units in issue at the end of the year		<u>6,149,790</u>	<u>14,216,154</u>
15 AUDITORS' REMUNERATION		2016 -----Rupees in '000-----	2015
Annual audit fee and other certification		273	250
Half yearly review fee		93	84
Out of pocket expenses		<u>60</u>	<u>50</u>
		<u>426</u>	<u>384</u>
16 PROVISION FOR WORKERS' WELFARE FUND			
16.1	The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it was construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeded Rs 0.5 million in a tax year, had 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 was filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.		

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance, 1971 about applicability of WWF to the CISs which is still pending before the Court. In May 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of prudence and abundant caution, has made provision for WWF amounting to Rs 7.552 million up to June 30, 2015. Had the same not been made the net asset value per unit of the Fund as at June 30, 2016 would have been higher by Rs 1.2280 (2015: Re 0.5312) per unit.

16.2 The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no further provision for WWF has been made from July 01, 2015. The provision made till June 30, 2015 has not been reversed as the above law suit is still pending in the SHC.

17 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. The Fund has not recorded provision for taxation as the Management Company has distributed at least ninety percent of the Fund's accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unit holders as cash dividend.

18 TRANSACTIONS WITH CONNECTED PERSONS

18.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan, and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company and directors and officers of the Management Company. It also includes any person or company beneficially owing directly or indirectly 10% or more of the units in the issue/ net assets of the Fund.

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

18.3 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.

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

18.5 Details of the transactions with connected persons are as follows:	2016	2015
	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited - Management Company		
Remuneration for the year	26,995	33,616
Sindh sales tax on remuneration of Management Company	4,384	5,849
Federal excise duty on remuneration of the Management Company	4,319	5,379
Expenses reimbursed to the Management Company		
- Preliminary expenses and floatation costs	-	2,322
- Initial deposit on opening of bank accounts	-	45
- Listing fee	-	20
- Other expenses	-	2,608
Accounting and operational charges	667	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	1,755	2,185
Sindh sales tax on remuneration of Trustee	246	-
Settlement charges	272	309
Employees of the Management Company		
Issue of 57 (2015: 56) units	6	7
Bonus of 147 (2015: Nil) units	16	-
Redemption of 505 (2015: Nil) units	60	-
Cash distribution for the year	6	7
Taurus Securities Limited		
Brokerage expense	51	172
National Bank of Pakistan - Sponsor		
Profit on bank deposits	60	49

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

18.6 Amounts / balances outstanding as at year end :	2016	2015
	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	1,180	2,835
Sindh sales tax payable on remuneration of Management Company	192	493
Federal excise duty payable on remuneration of Management Company	11,370	7,051
Sales load payable	5,514	5,514
Accounting and operational charges	667	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	77	184
Sindh sales tax payable on remuneration of Trustee	11	-
Settlement charges payable	26	69
Security deposit	100	100
Employees of the Management Company		
Investment held in the Fund 2,013 units (2015: 2,314 units)	225	278
National Bank of Pakistan - Sponsor		
Bank balance	893	65
Profit receivable	26	4
Amount payable against redemption of units to:		
NAFA Islamic Active Allocation Fund - I (Plan - III)	5,147	-

19 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

-----As at June 30, 2016-----

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	28
2	Mr. Sajjad Anwar*	CFA / MBA Finance	16
3	Mr. Muhammad Ali Bhabha	CFA / MBA / FRM	21
4	Mr. Syed Suleman Akhtar	CFA / MBA Finance	16
5	Mr. Asim Wahab Khan	CFA	10
6	Mr. Muhammad Imran	CFA / ACCA	10

*Mr. Sajjad Anwar is the manager of the Fund. He is also the Fund Manager of NAFA Islamic Principal Protected Fund - II, NAFA Islamic Principal Preservation Fund, NAFA Islamic Stock Fund, NAFA Pension Fund, NAFA Islamic Pension Fund and NAFA Islamic Active Allocation Plan - I, II, III

20 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

		2016
1	Taurus Securities Limited	6.49%
2	Aqeel Karim Dehdi Securities (Private) Limited	5.22%
3	Fortune Securities Limited	5.13%
4	Arif Habib Securities Limited	4.74%
5	BMA Capital Management Limited	4.52%
6	Sherman Securities (Private) Limited	4.35%
7	Next Capital Limited	4.28%
8	Concordia Securities (Private) Limited	4.13%
9	Optimus Capital Management Limited	3.92%
10	Global Securities Pakistan Limited	3.72%
		2015
1	Taurus Securities Limited	10.71%
2	J.S. Global Capital Limited	7.37%
3	Fortune Securities Limited	7.22%
4	Aqeel Karim Dehdi Securities (Private) Limited	6.73%
5	Elixir Securities Pakistan (Private) Limited	6.61%
6	Foundation Securities (Private) Limited	6.24%
7	Arif Habib Securities Limited	5.05%
8	Habib Metropolitan Financial Services Limited	4.44%
9	Al Habib Capital Markets (Private) Limited	4.04%
10	BMA Capital Management Limited	3.76%

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

21 PATTERN OF UNIT HOLDING

----- As at June 30, 2016 -----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals*	197	218,282	31.77%
Retirement Funds	23	291,792	42.47%
Others	10	176,998	25.76%
	<u>230</u>	<u>687,072</u>	<u>100.00%</u>

* This includes investment amount of Rs 0.225 million of related parties / connected persons

----- As at June 30, 2015 -----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals*	526	789,958	46.28%
Retirement Funds	33	407,662	23.87%
Others	22	509,655	29.85%
	<u>581</u>	<u>1,707,275</u>	<u>100.00%</u>

* This includes investment amount of Rs 0.278 million of related parties / connected persons

22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 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	5	1	54th meeting
Mr. Aamir Sattar	6	4	2	56th & 57th meeting
Mr. Abdul Hadi Palekar	6	5	1	58th meeting
Mr. Koh Boon San	6	4	2	54th & 57th meeting
Mr. Nigel Poh Cheng	6	3	3	56th, 58th & 59th meeting
Mr. Kamal Amir Chinoy	6	5	1	57th meeting
Mr. Shehryar Faruque	6	4	2	54th & 59th meeting
Dr. Amjad Waheed	6	6	-	-

23 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2016-----

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

Financial assets

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

Balances with banks	403,489	-	403,489
Investments	-	314,827	314,827
Dividend and profit receivable	2,736	-	2,736
Advances, deposits and other receivables	2,666	-	2,666
	<u>408,891</u>	<u>314,827</u>	<u>723,718</u>

-----As at June 30, 2016-----

Particulars	Loans and receivables	Other financial liabilities at amortised cost	Total
-------------	-----------------------	---	-------

Financial liabilities

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

Payable to NBP Fullerton Asset Management Limited - Management Company	-	18,923	18,923
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	88	88
Accrued expenses and other liabilities	-	1,740	1,740
Payable against redemption of units	-	5,147	5,147
	<u>-</u>	<u>25,898</u>	<u>25,898</u>

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

-----As at June 30, 2015-----

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

Financial assets

	-----Rupees in '000-----		
Balances with banks	856,369	-	856,369
Investments	-	872,464	872,464
Receivable against sale of investments	-	-	-
Dividend and profit receivable	6,259	-	6,259
Advances, deposits and other receivables	2,600	-	2,600
	<u>865,228</u>	<u>872,464</u>	<u>1,737,692</u>

-----As at June 30, 2015-----

Particulars	Loans and receivables	Other financial liabilities at amortised cost	Total
-------------	-----------------------	---	-------

Financial liabilities

	-----Rupees in '000-----		
Payable to NBP Fullerton Asset Management Limited - Management Company	-	15,893	15,893
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	184	184
Accrued expenses and other liabilities	-	1,481	1,481
	<u>-</u>	<u>17,558</u>	<u>17,558</u>

24 FINANCIAL RISK MANAGEMENT

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

24.1 Market risk

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

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

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

24.1.1 Currency risk

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

24.1.2 Yield / Profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The Fund is mainly exposed to profit rate risk on balances held with banks and investment in GoP Ijarah Sukuks.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument except for balances in certain profit and loss saving accounts, the profit rate of which ranges from 2.40% to 6.70%.

b) Sensitivity analysis for fixed rate instruments

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

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

-----June 30, 2016-----						
Particulars	Yield/ profit rate	Total	---Exposed to yield / profit rate risk---			Not exposed to yield / profit rate risk
			Upto three months	More than three months and upto one year	More than one year	
%						
------(Rupees in '000)-----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	2.40 - 6.70	403,489	402,556	-	-	933
Investments		314,827	-	-	-	314,827
Dividend and profit receivable		2,736	-	-	-	2,736
Advances, deposits and other receivables		2,666	-	-	-	2,666
		723,718	402,556	-	-	321,162
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		18,923	-	-	-	18,923
Payable to Central Depository Company of Pakistan Limited - Trustee		88	-	-	-	88
Accrued expenses and other liabilities		1,740	-	-	-	1,740
Payable against redemption of units		5,147	-	-	-	5,147
		25,898	-	-	-	25,898
On-balance sheet gap (a)		697,820	402,556	-	-	295,264
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total yield / profit rate sensitivity gap (a+b)		697,820	402,556	-	-	295,264
Cumulative yield / profit rate sensitivity gap			402,556	402,556	402,556	

-----June 30, 2015-----						
Particulars	Yield/ profit rate	Total	---Exposed to yield / profit rate risk---			Not exposed to yield / profit rate risk
			Upto three months	More than three months and upto one year	More than one year	
%						
------(Rupees in '000)-----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	3.90 - 10.25	856,369	838,151	-	-	18,218
Investments		872,464	-	55,861	-	816,603
Receivable against sale of investments		-	-	-	-	-
Dividend and profit receivable		6,259	-	-	-	6,259
Advances, deposits and other receivables		2,600	-	-	-	2,600
		1,737,692	838,151	55,861	-	843,680
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		15,893	-	-	-	15,893
Payable to Central Depository Company of Pakistan Limited - Trustee		184	-	-	-	184
Accrued expenses and other liabilities		1,481	-	-	-	1,481
		17,558	-	-	-	17,558
On-balance sheet gap (a)		1,720,134	838,151	55,861	-	826,122
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total yield / profit rate sensitivity gap (a+b)		1,720,134	838,151	55,861	-	826,122
Cumulative yield / profit rate sensitivity gap			838,151	894,012	894,012	

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust deed. The Fund's constitutive document / NBFC Regulations also limit individual equity securities based on the net assets, or issued capital of the investee company and sector exposure limit.

In case of 5% increase / decrease in KMI 30 index on June 30, 2016, net income for the year would increase / decrease by Rs 8.969 million (2015: Rs 9.776 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on increase / decrease of equity index by 5% with all other variables held constant and with an assumption that all the Fund's equity instruments will move according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 index having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 index, is expected to change over time. Accordingly, the aforementioned sensitivity analysis is not necessarily indicative of the effects on the Fund's net assets of future movements in the level of KMI 30 index.

24.2 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 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. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated by a well known rating agency. Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein. The Fund does not foresee any credit risk with respect to investment in government securities as these represent the interest of the Government of Pakistan.

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.

24.2.1 Credit quality of the Fund's Balances with Banks

Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
Bank Alfalah Limited	PACRA	AA	0.28%
Habib Metropolitan Bank Limited	PACRA	AA+	0.15%
Habib Bank Limited	JCR-VIS	AAA	68.55%
National Bank of Pakistan Limited	JCR-VIS	AAA	0.22%
Soneri Bank Limited*	PACRA	AA-	-
United Bank Limited	JCR-VIS	AAA	0.31%
Meezan Bank Limited	JCR-VIS	AA	5.41%
Sindh Bank Limited*	JCR-VIS	AA	-
Bank Al Habib Limited	PACRA	AA+	25.08%
Allied Bank Limited*	PACRA	AA+	-

* Nil value due to rounding off difference.

24.2.2 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.

The Fund's major bank balances are held with two Banks. The management believes that these are credit-worthy counterparties.

24.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations 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 the daily settlement of equity securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised. The Fund's listed securities are considered readily realisable as they are liquid shares listed on the Stock Exchanges.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

24.3 In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of 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 redemptions during the period.

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

-----June 30, 2016-----				
Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	18,923	1,372	-	17,551
Payable to Central Depository Company of Pakistan Limited - Trustee	88	88	-	-
Accrued expenses and other liabilities	1,740	1,740	-	-
Payable against redemption of units	5,147	5,147	-	-
	<u>25,898</u>	<u>8,347</u>	<u>-</u>	<u>17,551</u>
-----June 30, 2015-----				
Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	15,893	3,328	-	12,565
Payable to Central Depository Company of Pakistan Limited - Trustee	184	184	-	-
Accrued expenses and other liabilities	1,481	1,481	-	-
	<u>17,558</u>	<u>4,993</u>	<u>-</u>	<u>12,565</u>

25 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

The Fund provides protection of principal to the unit holders' through its investment methodology (Constant Proportion Portfolio Insurance 'CPPI' methodology) and the investment structure of the Fund and not through an undertaking by the Management Company, the Trustee or the SECP.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability can be 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 traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying values as the items are either short term in nature or periodically repriced.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the stock exchange.
- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.
- The fair values of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

26.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' 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:

Level 1: Fair value measurements using quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2016, the Fund held the following financial instruments measured at fair value:

	-----As at June 30, 2016-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Investment in listed equity securities	314,827	-	-	314,827
	-----As at June 30, 2015-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Investment in listed equity securities	816,603	-	-	816,603
Government Securities - GoP Ijarah Sukuk	-	55,861	-	55,861

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 23, 2016 .

28 GENERAL

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

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2016	For the year ended June 30, 2015	For the period from March 6, 2014 to June 30, 2014
Net assets at the year / period ended (Rs '000)	687,072	1,707,275	1,641,496
Net income for the year / period ended (Rs '000)	27,223	327,577	42,476
Net Asset Value per unit at the year / period ended (Rs)	111.7228	120.0940	101.6909
Offer Price per unit at year end	N/A	N/A	101.6909
Redemption Price per unit at year end	111.7228	120.0940	101.6909
Highest offer price per unit (Rs)	N/A	N/A	102.0287
Lowest offer price per unit (Rs)	N/A	N/A	98.2219
Ex- Highest redemption price per unit (Rs)	112.9390	121.2598	102.0287
Ex- Lowest redemption price per unit (Rs)	104.3273	96.9092	98.2219
Ex- Fiscal Year Opening Nav	107.2386	98.7167	-
Total return of the fund	4.18%	21.34%	2.63%
Capital growth	-7.00%	17.74%	1.70%
Income distribution % of Ex NAV	11.18%	3.65%	0.00%
Income distribution % of Par Value	12.48%	3.60%	0.93%
Distribution			
Interim distribution per unit	12.4826	3.2846	-
Final distribution per unit	-	0.3152	0.9300
Distribution Dates			
Interim	26-Feb-16 & 30-Jun-16	30-Jun-15	26-Jun-14
Final	-	16-Jul-15	-
Average annual return of the fund (launch date March 06, 2014)			
(Since inception to June 30, 2016)	29.74%		
(Since inception to June 30, 2015)		18.10%	
(Since inception to June 30, 2014)			2.63%
Portfolio Composition (Please see Fund Manager Report)			
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up			

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I

PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Islamic Principal Protected Fund - I**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fullerton Asset Management Limited i.e. www.nafafunds.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:








	Resolutions	For	Against	Abstain
Number	3	3	-	-
(%ages)	100%	100%	-	-



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



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: 0800-20002

Sms: NAFA INVEST to 8080

Fax: 021-35825335

Email: info@nafafunds.com

Website: www.nafafunds.com

 /nafafunds