

**AM2+**  
Rated by PACRA



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

**NAFA ISLAMIC PRINCIPAL PRESERVATION FUND**

**HALF YEARLY REPORT**

**DECEMBER 31**

**2015**



*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



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

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# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

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

### Company Secretary & 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 Shahra-e-Faisal, Karachi.

### Bankers to the Fund

Bank Alfalah Limited  
Habib Bank Limited  
United Bank Limited  
Meezan Bank Limited  
Sindh Bank Limited  
Soneri Bank Limited  
Bank Al Habib Limited

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## Auditors

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

## Legal Advisor

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

## Head Office:

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

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Islamic Principal Preservation Fund (NIPPF)** for the half year ended December 31, 2015.

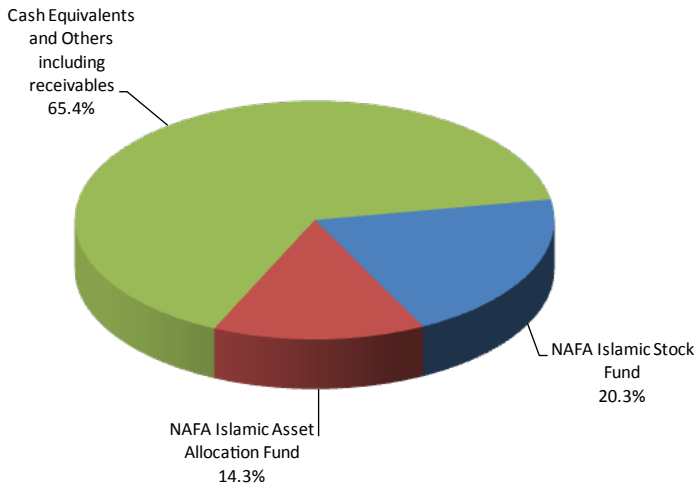
### Fund's Performance

The size of NAFA Islamic Principal Preservation Fund is Rs.1,678 million as at December 31, 2015. During the period, the unit price of NAFA Islamic Principal Preservation Fund has increased from Rs. 102.0712 (Ex-Div) on June 30, 2015 to Rs. 102.9509 on December 31, 2015, thus showing an increase of 0.86%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Fund's actual allocation) return during the same period was declined by 1.28%. Thus, the Fund has outperformed its Benchmark by 2.14% during the period under review. Since Inception the NAV of Fund has increased from Rs. 97.1473 (Ex-Div) on January 09, 2015 to Rs. 102.9509 on December 31, 2015, thus showing an increase of 5.97%. The Benchmark return during the same period was 3.07%. Thus, the Fund has outperformed its Benchmark by 2.90%. This performance is net of management fee and all other expenses.

1HFY16 turned out to be a challenging period for the stock market characterized by a heightened volatility and lackluster performance. The selloff in equities was largely a function of global pullout strategy by foreign funds in anticipation of US interest rate hike and associated rout in emerging market currencies; and global economic slowdown led by China. Subdued market performance can also be attributed to a sharp decline in international crude oil prices amid supply glut and demand slowdown. On domestic front, increase in regulatory requirements for brokers and criminal investigations against some brokers dried out the market volumes. The index heavy Oil & Gas and Banking sectors lagged the market whereas Cements, Pharmaceuticals, Automobile Parts & Accessories and Engineering sectors outperformed the market.

Trading activity in Sukuks remained depressed. Dearth of high credit quality corporate Sukuks further depressed the secondary market yields. During the period under review, the State Bank of Pakistan reduced the discount rate by 50 bps to 6.5%. SBP highlighted i) benign inflation readings and anchored near-term expectation; ii) high real lending rates; iii) comfortable external account position; and (iv) improving law and order situation and macroeconomic stability. Sovereign securities responded to the loose monetary policy stance with yields on the short term and long term sovereign bonds declining accordingly.

The Fund has earned total income of Rs.25.29 million during the period. After deducting expenses of Rs.10.88, the net income is Rs.14.41 million. The below chart presents the asset allocation of NIPPF.



# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 26, 2016  
Place: Karachi.

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Report of the Trustee pursuant to Regulation 41 (h) 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 Preservation Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2015 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing 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: February 25, 2016



# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Principal Preservation Fund** as at December 31, 2015 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2015. The Management Company (NBP Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: February 29, 2016  
Karachi

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2015

	Note	(Un- Audited) December 31, 2015 (Rupees in '000)	(Audited) June 30, 2015
<b>ASSETS</b>			
Balances with banks	4	1,104,346	986,966
Investments	5	581,481	783,135
Profit receivable		5,655	4,910
Prepayments		19	-
Preliminary expenses and floatation costs		1,221	1,819
<b>Total assets</b>		<b>1,692,722</b>	<b>1,776,830</b>
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	6	11,151	10,496
Payable to the Central Depository Company of Pakistan Limited - Trustee		146	130
Payable to the Securities and Exchange Commission of Pakistan		823	806
Accrued expenses and other liabilities		2,249	7,080
<b>Total liabilities</b>		<b>14,369</b>	<b>18,512</b>
<b>NET ASSETS</b>		<u><b>1,678,353</b></u>	<u><b>1,758,318</b></u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u><b>1,678,353</b></u>	<u><b>1,758,318</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<u><b>16,302,462</b></u>	<u><b>17,189,941</b></u>
<b>NET ASSET VALUE PER UNIT</b>	8	<u><b>102.9509</b></u>	<u><b>102.2876</b></u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Note	Half year ended December 31, 2015	Quarter ended December 31, 2015
----- Rupees in '000 -----			
<b>INCOME</b>			
Capital loss on sale of investments - net		(23,784)	(8,992)
Profit on bank deposits		28,305	14,487
Dividend income		29,174	-
Income from back end load		949	423
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(8,384)	27,632
<b>Total income</b>		<b>26,260</b>	<b>33,550</b>
<b>EXPENSES</b>			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	6.1	6,057	3,291
Sindh Sales Tax on remuneration of the Management Company	6.2	984	535
Federal Excise Duty on remuneration of the Management Company	6.3	970	527
Allocation of operational expenses from the Management Company	6.4	170	170
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		776	384
Sindh Sales Tax on remuneration of the Trustee		109	54
Annual fee of the Securities and Exchange Commission of Pakistan		823	407
Amortisation of preliminary expenses and floatation costs		598	77
Auditors' remuneration		201	100
Annual listing fee		20	10
Printing charges		49	24
Settlement and bank charges		121	51
<b>Total operating expenses</b>		<b>10,878</b>	<b>5,630</b>
<b>Net income from operating activities</b>		<b>15,382</b>	<b>27,920</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		(972)	(231)
<b>Net income for the period before taxation</b>		<b>14,410</b>	<b>27,689</b>
Taxation	10	-	-
<b>Net income for the period after taxation</b>		<b>14,410</b>	<b>27,689</b>
<b>Earnings per unit</b>	11		

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended December 31, 2015	Quarter ended December 31, 2015
	----- Rupees in '000 -----	
Net income for the period after taxation	14,410	27,689
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<u>14,410</u>	<u>27,689</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended December 31, 2015	Quarter ended December 31, 2015
	----- Rupees in '000 -----	
Undistributed income at the beginning of the period		
Realised gain	7,882	58,302
Unrealised gain / (loss)	<u>31,442</u>	<u>(36,016)</u>
	39,324	22,286
Net income for the period after taxation	14,410	27,689
<b>Final distribution made during the period</b>		
- Re 0.2206 per unit distribution for the year ended June 30, 2015	(3,759)	-
Undistributed income carried forward	<u>49,975</u>	<u>49,975</u>
<b>Undistributed income at the end of the period comprising of:</b>		
Realised gain	58,359	58,359
Unrealised (loss) / gain	<u>(8,384)</u>	<u>(8,384)</u>
	<u>49,975</u>	<u>49,975</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended December 31, 2015	Quarter ended December 31, 2015
	----- Rupees in '000 -----	
Net assets at the beginning of the period	1,758,318	1,692,439
Issue of 32,405 units	3,373	-
Redemption of 919,884 units	(94,961)	(42,006)
	(91,588)	(42,006)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	972	231
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial asset 'at fair value through profit or loss' - net	(8,384)	27,632
Capital loss on sale of investments - net	(23,784)	(8,992)
Other net income for the period	46,578	9,049
<b>Net income for the period</b>	<b>14,410</b>	<b>27,689</b>
<b>Final distribution made during the period</b>		
- Re 0.2206 per unit distribution for the year ended June 30, 2015	(3,759)	-
<b>Net assets at the end of the period</b>	<b><u>1,678,353</u></b>	<b><u>1,678,353</u></b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended December 31, 2015	Quarter ended December 31, 2015
	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	14,410	27,689
<b>Adjustments for:</b>		
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	8,384	(27,632)
Dividend income	(29,174)	-
Profit on bank deposits	(28,305)	(14,487)
Amortisation of preliminary expenses and floatation costs	598	77
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	972	231
Federal excise duty on remuneration of Management Company	970	527
	<u>(32,145)</u>	<u>(13,595)</u>
<b>Decrease / (Increase) in assets</b>		
Investments	193,270	106,224
Prepayments	(19)	11
Receivable against sale of investment	-	65,104
	<u>193,251</u>	<u>171,339</u>
<b>(Decrease) / Increase in liabilities</b>		
Payable to NBP Fullerton Asset Management Limited - Management company	(315)	408
Payable to the Central Depository Company of Pakistan Limited - Trustee	16	3
Payable to the Securities and Exchange Commission of Pakistan	17	407
Accrued expenses and other liabilities	(5,217)	(749)
	<u>(5,499)</u>	<u>69</u>
Dividends received	29,174	-
Profit received	27,560	13,975
	<u>212,341</u>	<u>171,788</u>
<b>Net cash generated from operating activities</b>		
	212,341	171,788
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on redemption of units	(94,961)	(42,323)
	<u>(94,961)</u>	<u>(42,323)</u>
<b>Net cash used in financing activities</b>		
	(94,961)	(42,323)
<b>Net increase in cash and cash equivalents during the period</b>	117,380	129,465
Cash and cash equivalents at the beginning of the period	986,966	974,881
	<u>1,104,346</u>	<u>1,104,346</u>
<b>Cash and cash equivalents at the end of the period</b>		
	<u>1,104,346</u>	<u>1,104,346</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Principal Preservation Fund (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 October 16, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on October 29, 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. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is categorised as an Open-End "Shariah Compliant Fund of Funds" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS) and is listed on the Lahore Stock Exchange (now merged into Pakistan Stock Exchange Limited).

The objective of NAFA Islamic Principal Preservation Fund is to earn a potentially high return through dynamic asset allocation between shariah compliant equity related and shariah compliant income / money market Collective Investment Schemes, while providing principal preservation. Principal preservation 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 April 6, 2015. The Fund has not yet been rated.

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

The Fund commenced its operations from January 9, 2015. As per the offering document, the duration of the Fund is perpetual and the initial maturity of the Fund is two (2) years from the commencement of the life of the Fund. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund.

Comparative information is not available for condensed interim income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement as the Fund commenced its operation on January 9, 2015 as stated above.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance 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 prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the published annual audited financial statements of the Fund for the period ended June 30, 2015.



# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2015.

## 3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENT AND CHANGES THEREIN

3.1 The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the published audited financial statements of the Fund for the period ended June 30, 2015.

3.2 The preparation of this condensed interim financial information 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 on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the published audited financial statements of the Fund as at and for the period ended June 30, 2015.

3.3 The financial risk management objectives and policies are consistent with those disclosed in the published audited financial statements of the Fund for the period ended June 30, 2015.

### 3.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

3.4.1 The following published standard is mandatory for the financial year beginning on or after January 1, 2015 and is relevant to the Fund:

IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2015. The standard establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. 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'. As a result the Fund has included additional disclosures in this regard in note 13 to the condensed interim financial information. Notwithstanding the above, the change had no significant impacts on the measurements of the Fund's assets and liabilities.

3.4.2 There are certain other amendments to approved accounting standards that have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2015. None of those amendments have a significant effect on this condensed interim financial information.

	Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
----- Rupees in '000 -----			
<b>4 BALANCES WITH BANKS</b>			
Profit and loss savings accounts	4.1	<u>1,104,346</u>	<u>986,966</u>
3.4.1 These carry profits at rates ranging from 4% to 7% (June 30, 2015: 4.5% to 10.25%) per annum.			
<b>5 INVESTMENTS</b>			
Financial assets at fair value through profit or loss' - Units of mutual funds	5.1	<u>581,481</u>	<u>783,135</u>

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## 5.1 Investment in mutual funds - related parties

Name of the fund	Number of units				Market value as at December 31, 2015	Market value as a percentage of	
	As at July 01, 2015	Purchased during the period	Sales during the period	As at December 31, 2015		Net assets	Market value of total investments
					Rupees in '000	%	
NAFA Islamic Asset Allocation Fund	22,641,889	14,373,672	21,482,965	15,532,596	240,525	14.33%	41.36%
NAFA Islamic Stock Fund	38,204,892	13,421,332	20,695,450	30,930,774	340,956	20.31%	58.64%
					<u>581,481</u>	<u>34.64%</u>	<u>100.00%</u>
						<u>589,865</u>	
Carrying value as at December 31, 2015							

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

Market value of investments		581,481	783,135
Less: carrying value of investments		<u>589,865</u>	<u>751,693</u>
		<u>(8,384)</u>	<u>31,442</u>

## 6 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company	6.1	1,187	1,005
Sindh Sales Tax on the Management Company's remuneration	6.2	193	175
Federal Excise Duty on the remuneration of the Management Company	6.3	1,925	956
Allocation of operational expenses from the Management Company	6.4	170	-
Sales load payable		5,258	5,942
Preliminary expenses and floatation costs payable		2,378	2,378
Other payable		<u>40</u>	<u>40</u>
		<u>11,151</u>	<u>10,496</u>

6.1 The Management Company has charged remuneration at the rate of 1.25% per annum based on the average daily net assets for the period. The amount of remuneration is payable to the Management Company monthly in arrears.

6.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 14% (June 30, 2015: 15%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

6.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax as explained in note 6.2, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

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

Pending decision of the SHC, the Fund is not making payments for FED. However, the Fund, as a matter of abundant caution, has made full provision in respect of FED amounting to Rs 1.925 million (June 30, 2015: Rs. 956 million). Had the provision not been made the net asset value per unit of the Fund as at December 31, 2015 would have been higher by Re 0.1181 per unit (June 30, 2015: Re 0.0556 per unit)

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

6.4 During the current period, the SECP vide S.R.O No 1160(I) / 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 a maximum of 0.1% of the average annual net assets of the Scheme or actual whichever is less. The Management Company has charged operating expenses to the Fund at the rate of 0.1% per annum of the average annual net assets of the Fund for the period from November 25, 2015 to December 31, 2015.

## 7 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at period ended December 31, 2015 and June 30, 2015.

## 8 NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit, as disclosed in the Statement of Asset and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in issue at the period / year end.

## 9 PROVISION FOR WORKERS' WELFARE FUND

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, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

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

Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 1.767 million in this condensed interim financial information. Had the same not been made the net asset value per unit of the Fund as at December 31, 2015 would have been higher by Re 0.1084 per unit (June 30, 2015: Re 0.1028 per unit).

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under the WWF Ordinance, 1971. Accordingly, no further provision of WWF has been made from July 1, 2015. However, provision made till June 30, 2015 has not been reversed as the above law suit is still pending in the SHC.

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

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

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## 11 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended December 31, 2015 has not been disclosed as in the opinion of the management, determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

## 12 TRANSACTIONS WITH CONNECTED PERSONS

12.1 Related Parties / Connected persons include NBP Fullerton Asset Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP), and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

12.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

12.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

----- (Un-Audited) -----  
**Half year ended**      **Quarter ended**  
**December 31,**      **December 31,**  
**2015**                      **2015**

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

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

### **NBP Fullerton Asset Management Limited - Management Company**

Remuneration for the period	6,057	3,291
Sindh Sales Tax on remuneration of the Management Company	984	535
Federal Excise Duty on remuneration of the Management Company	970	527
Allocation of operational expenses from the Management Company	170	-

### **Employees of the Management Company**

Issue of 3 units	- *	- *
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### **NAFA Islamic Stock Fund**

Units purchased (13,421,332 units)	151,517	24,306
Units sold (20,695,450 units)	221,850	61,212

### **NAFA Islamic Asset Allocation Fund**

Units purchased (14,373,672 units)	228,778	49,796
Units sold (21,482,965 units)	327,931	110,122

### **Central Depository Company of Pakistan Limited - Trustee**

Remuneration of the Trustee	776	384
Sindh Sales Tax on remuneration of the Trustee	109	54

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
----- (Rupees in '000)-----		
<b>12.6 Amounts / balances outstanding as at period end</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management remuneration payable	1,187	1,005
Sindh Sales tax payable	193	175
FED payable	1,925	956
FED on Sales load payable to the Management Company	5,258	5,942
Preliminary expenses and floatation costs	2,378	2,378
Other payable	40	40
* Nil due to rounding off		
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	146	130
<b>Employees of the Management Company</b>		
Units held: 1,554 (June 30, 2015: 1,551 units)	160	159
<b>NAFA Islamic Stock Fund</b>		
Units held: 30,930,774 (June 30, 2015: 38,204,892 units)	340,956	421,071
<b>NAFA Islamic Asset Allocation Fund</b>		
Units held: 15,532,596 (June 30, 2015: 22,641,889 units)	240,525	362,064

## 13. 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.

Fair value of investments is determined as follows:

- The fair value of investments in the units of open-end collective investment schemes is based on the net assets value quoted by the Fund at each reporting date.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

### 13.1 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:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- 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).
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2015, the Fund held the following financial instruments measured at fair value:

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

	----- Unaudited ----- As at December 31, 2015			
Assets	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment - financial assets 'at fair value through profit or loss'				
- Units of mutual funds	581,481	-	-	581,481
	----- Audited ----- As at June 30, 2015			
Assets	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment - financial assets 'at fair value through profit or loss'				
- Units of mutual funds	783,135	-	-	783,135

## 14 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 26, 2016 by the Board of Directors of the Management Company.

## 15 GENERAL

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



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

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