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

**NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I**

**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 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 Shahra-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

## **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 PROTECTED FUND-I

## DIRECTORS' REPORT

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

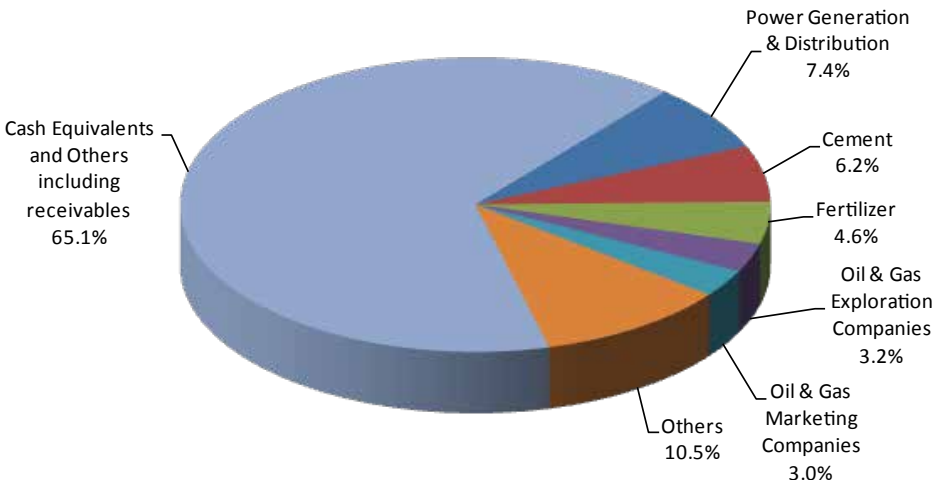
### Fund's Performance

The size of NAFA Islamic Principal Protected Fund-I is Rs.1,651 million as at December 31, 2015. During the period, the unit price of NAFA Islamic Principal Protected Fund-I has decreased from Rs. 119.7854 (Ex-Div) on June 30, 2015 to Rs.118.8648 on December 31, 2015, thus showing a decline of 0.77%. The benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) during the same period declined by 0.16%. Thus, the Fund has underperformed its benchmark by 0.61% during the period under review. 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.13.19 million during the period. After accounting for expenses of Rs.25.89 million, the net loss is Rs.12.70 million. The asset allocation of the Fund as on December 31, 2015 is as follows:



## 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 PROTECTED FUND-I

**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 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 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, 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: February 25, 2016



## 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 Protected Fund I** 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 and December 31, 2014 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.

Chartered Accountants  
Engagement Partner: **Noman Abbas Sheikh**  
Dated: February 29, 2016  
Karachi

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## 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	1,093,353	856,369
Investments	5	576,214	872,464
Dividend and profit receivable		7,243	6,259
Advances, deposits, prepayments and other receivables		2,686	2,600
Preliminary expenses and floatation costs		204	789
<b>Total assets</b>		<b>1,679,700</b>	<b>1,738,481</b>
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	6	18,705	15,893
Payable to the Central Depository Company of Pakistan Limited -Trustee		207	184
Payable to the Securities and Exchange Commission of Pakistan		637	1,261
Accrued expenses and other liabilities		9,185	13,868
<b>Total liabilities</b>		<b>28,734</b>	<b>31,206</b>
<b>NET ASSETS</b>		<b>1,650,966</b>	<b>1,707,275</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,650,966</b>	<b>1,707,275</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>13,889,439</b>	<b>14,216,154</b>
<b>NET ASSET VALUE PER UNIT</b>	9	<b>118.8648</b>	<b>120.0940</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 PROTECTED FUND-I

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

	Note	Half year ended		Quarter ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
----- Rupees in '000 -----					
<b>INCOME</b>					
Capital gain on sale of investments - net		4,680	5,701	12	4,603
Profit on bank deposits		27,071	38,328	13,901	19,143
Dividend income		23,219	21,602	11,639	11,302
Income from GoP Ijarah Sukuk		1,508	679	538	679
Unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss' - net		(43,284)	124,882	1,227	112,088
<b>Total income</b>		<b>13,194</b>	<b>191,192</b>	<b>27,317</b>	<b>147,815</b>
<b>EXPENSES</b>					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	6.1	16,994	16,874	8,402	8,561
Sindh Sales Tax on the Management Company's remuneration	6.2	2,760	2,936	1,365	1,393
Federal Excise Duty on the Management Company's remuneration	6.3	2,719	2,700	1,344	1,370
Allocation of operational expenses from the Management Company	6.4	167	-	167	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		1,105	1,097	546	557
Sindh sales tax on remuneration of the Trustee		155	-	77	-
Annual fee - Securities and Exchange Commission of Pakistan		637	633	315	321
Amortisation of preliminary expenses and floatation costs		585	585	292	292
Auditors' remuneration		250	211	128	60
Annual listing fee		20	20	10	10
Printing charges		27	50	27	50
Securities transaction cost		246	1,058	97	487
Settlement and bank charges		221	214	99	122
<b>Total expenses</b>		<b>25,886</b>	<b>26,378</b>	<b>12,869</b>	<b>13,223</b>
<b>Net (loss) / income from operating activities</b>		<b>(12,692)</b>	<b>164,814</b>	<b>14,448</b>	<b>134,592</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(3)	-	104	-
Provision for Workers' Welfare Fund	8	-	(3,296)	-	(2,692)
<b>Net (loss) / income for the period before taxation</b>		<b>(12,695)</b>	<b>161,518</b>	<b>14,552</b>	<b>131,900</b>
Taxation	10	-	-	-	-
<b>Net (loss) / income for the period after taxation</b>		<b>(12,695)</b>	<b>161,518</b>	<b>14,552</b>	<b>131,900</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 PROTECTED FUND-I

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

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- Rupees in '000 -----			
Net (loss) / income for the period after taxation	(12,695)	161,518	14,552	131,900
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<u>(12,695)</u>	<u>161,518</u>	<u>14,552</u>	<u>131,900</u>

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

Chief Executive

For NBP Fullerton Asset Management Limited  
(Management Company)

Director

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

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

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Undistributed income brought forward comprising of :	----- Rupees in '000 -----			
Realised gain	115,809	1,068	301,727	43,912
Unrealised gain / (loss)	173,109	26,228	(44,511)	12,794
	<u>288,918</u>	<u>27,296</u>	<u>257,216</u>	<u>56,706</u>
Net (loss) / income for the period after taxation	(12,695)	161,518	14,552	131,900
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	(4,406)	-	(4,198)
Final distribution made during the period - Re 0.3152 per unit distribution for the year ended June 30, 2015	(4,455)	-	-	-
Undistributed income carried forward	<u>271,768</u>	<u>184,408</u>	<u>271,768</u>	<u>184,408</u>
Undistributed income comprising of :				
Realised gain	315,052	59,526	315,052	59,526
Unrealised (loss) / gain	(43,284)	124,882	(43,284)	124,882
	<u>271,768</u>	<u>184,408</u>	<u>271,768</u>	<u>184,408</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 PROTECTED FUND-I

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

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- Rupees in '000 -----			
Net assets at the beginning of the period	1,707,275	1,641,496	1,660,948	1,651,193
Issue of 32,608 units (2014: Nil units)	3,994	-	-	-
Redemption of 359,323 units (2014: 786,094 units)	(43,156) (39,162)	(84,343) (84,343)	(24,430) (24,430)	(64,422) (64,422)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net				
- transferred to distribution statement	-	4,406	-	4,198
- transferred to income statement	3	-	(104)	-
	3	4,406	(104)	4,198
Unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss' - net	(43,284)	124,882	1,227	112,088
Capital gain on sale of investments - net	4,680	5,701	12	4,603
Other net income for the period	25,909	30,935	13,313	15,209
<b>Net (loss) / income for the period</b>	<b>(12,695)</b>	<b>161,518</b>	<b>14,552</b>	<b>131,900</b>
<b>Final distribution made during the period</b>				
- Re 0.3152 per unit distribution for the year ended June 30, 2015	(4,455)	-	-	-
Net element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed transferred to the distribution statement	-	(4,406)	-	(4,198)
<b>Net assets at the end of the period</b>	<b>1,650,966</b>	<b>1,718,671</b>	<b>1,650,966</b>	<b>1,718,671</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 PROTECTED FUND-I

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

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
----- Rupees in '000 -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (loss) / income for the period before taxation	(12,695)	161,518	14,552	131,900
<b>Adjustments</b>				
Unrealised diminution / (appreciation) on remeasurement of investments classified as financial assets at fair value through profit or loss'- net	43,284	(124,882)	(1,227)	(112,088)
Amortisation of preliminary expenses and floatation costs	585	585	292	292
Profit on bank deposits and government securities	(28,579)	(39,007)	(14,439)	(19,822)
Dividend income	(23,219)	(21,602)	(11,639)	(11,302)
Federal Excise Duty on the Management Company's remuneration	2,719	2,700	1,344	1,370
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	3	-	(104)	-
	(17,902)	(20,688)	(11,221)	(9,650)
<b>(Increase) / decrease in assets</b>				
Investments	252,966	(82,617)	158,006	(132,903)
Receivables against sale of investments	-	(6,378)	15,011	16,049
Advances, deposits, prepayments and other receivables	(86)	7,397	10	(685)
	252,880	(81,598)	173,027	(117,539)
<b>Increase / (decrease) in liabilities</b>				
Payable to NBP Fullerton Asset Management Limited - Management Company	93	(4,737)	227	(4,808)
Payable to the Central Depository Company of Pakistan Limited -Trustee	23	16	4	(167)
Payable to the Securities and Exchange Commission of Pakistan	(624)	241	315	321
Accrued expenses and other liabilities	(5,144)	1,208	(341)	2,652
	(5,652)	(3,272)	205	(2,002)
Profit received on bank deposits and government securities	27,073	36,138	14,706	21,236
Dividend received	23,741	23,745	20,820	20,263
<b>Net cash generated from / (used in) operating activities</b>	280,140	(45,675)	197,537	(87,692)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments on redemption of units	(43,156)	(84,174)	(24,546)	(64,303)
<b>Net cash used in financing activities</b>	(43,156)	(84,174)	(24,546)	(64,303)
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	236,984	(129,849)	172,991	(151,995)
Cash and cash equivalents at the beginning of the period	856,369	948,851	920,362	970,997
<b>Cash and cash equivalents at the end of the period</b>	<u>1,093,353</u>	<u>819,002</u>	<u>1,093,353</u>	<u>819,002</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 PROTECTED FUND-I

## 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 Protected Fund-I (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the 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, (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 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) and is listed on the Lahore Stock Exchange (now merged into Pakistan Stock Exchange Limited).

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 April 6, 2015. The Fund has not yet been rated.

Title of the assets of the Fund is held in the name of the 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

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 year ended June 30, 2015.

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.



# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

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

3.1 The accounting policies adopted for the preparation of the condensed interim financial information for the half year and quarter ended December 31, 2015 are same as those applied in the preparation of published annual audited financial statements for the year 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 the management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the published annual audited financial statements as at and for the year ended June 30, 2015.

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

3.4 **Standards, interpretations and amendments to published the 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: 3

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 the 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
<b>4 BALANCES WITH BANKS</b>		----- Rupees in '000 -----	
Saving accounts	4.1 & 4.2	1,091,980	838,151
Current accounts		1,373	18,218
		<u>1,093,353</u>	<u>856,369</u>

4.1 These carry profits at rates ranging from 3.01% to 7.00% (June 30, 2015: 3.90% to 10.25%) per annum.

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

4.2 These include deposit of Rs 0.879 million ( June 30 2015: Rs 0.065 million ) which is maintained with the National Bank of Pakistan, (a related party) and carries profit rate of 3.01% ( June 30, 2015 : 3.90% ).

## 5 INVESTMENTS

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

	Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
----- Rupees in '000 -----			
Listed equity securities	5.1	576,214	816,603
Government securities - GoP Ijarah Sukuk		-	55,861
		<u>576,214</u>	<u>872,464</u>

### 5.1 Listed equity securities

All shares have a nominal face value of Rs. 10 each except for the shares of Thal Limited which have a face value of Rs. 5 and K-Electric Limited which have a face value of Rs. 3.5 each.

Name of the investee company	Number of shares					Market value as at December 31, 2015	Investment as a percentage of		Holding as a percentage of paid up capital of the investee company
	As at July 01, 2015	Purchases during the period	Bonus / Right Issues	Sales during the period	As at December 31, 2015		Net assets	Market value of total investments	
						Rupees in '000	----- % -----		
<b>Oil and Gas Exploration Companies</b>									
Attock Petroleum Limited	17,400	-	-	-	17,400	8,789	0.53	1.53	0.03
Pakistan Petroleum Limited	87,400	-	-	-	87,400	23,425	1.42	4.07	0.11
Pakistan Petroleum Limited	237,900	-	-	-	237,900	28,979	1.76	5.03	0.01
						61,193	3.71	10.63	
<b>Oil Refinery</b>									
Sui Northern Gas Pipeline Limited	-	36,000	-	36,000	-	-	-	-	-
<b>Oil and Gas Marketing Companies</b>									
Sui Northern Gas Pipeline Limited	-	96,000	-	96,000	-	-	-	-	-
Pakistan State Oil Company Limited	91,880	-	-	7,000	84,880	27,651	1.67	4.80	0.00
Shell Pakistan Limited	55,600	-	-	-	55,600	12,690	0.77	2.20	0.02
Hascol Petroleum Limited (note 5.3)	435	-	87	-	522	75	-	0.01	0.00
						40,416	2.44	7.01	
<b>Chemicals</b>									
Engro Corporation Limited	231,900	8,400	-	66,000	174,300	48,698	2.95	8.45	0.03
Engro Fertilizer Company Limited	351,000	67,500	-	90,000	328,500	27,637	1.67	4.80	0.02
Fauji Fertilizer Company Limited	36,000	-	-	36,000	-	-	-	-	-
						76,335	4.62	13.25	
<b>Construction and Materials</b>									
Akzo Nobel Pakistan Limited	43,300	-	-	29,400	13,900	3,016	0.18	0.52	0.03
D.G. Khan Cement Company Limited	335,000	-	-	86,200	248,800	36,720	2.22	6.37	0.06
Lucky Cement Limited	107,100	4,000	-	57,600	53,500	26,485	1.60	4.60	0.02
Maple Leaf Cement Factory Limited	475,000	-	-	232,500	242,500	18,086	1.10	3.14	0.05
Pioneer Cement Limited	272,500	48,500	-	95,000	226,000	20,534	1.24	3.56	0.10
						104,841	6.34	18.19	
<b>Pharma and Bio Tech</b>									
Ferozsons Laboratories	10,000	-	-	-	10,000	11,069	0.67	1.92	0.03
Abbott Laboratories Pakistan Limited	3,500	-	-	-	3,500	2,223	0.13	0.39	0.00
						13,292	0.80	2.31	
<b>General Industries</b>									
Thal Limited	137,200	-	-	-	137,200	34,757	2.11	6.03	0.17
<b>Automobile and Parts</b>									
Ghandhara Nissan Limited	96,500	-	-	96,500	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	45,700	9,400	-	55,100	-	-	-	-	-
Indus Motor Company Limited	27,850	-	-	2,000	25,850	26,152	1.58	4.54	0.03
Pak Suzuki Motor Company Limited	42,400	5,000	-	6,000	41,400	20,505	1.24	3.56	0.05
						46,657	2.82	8.10	
<b>Personal Goods</b>									
Kohinoor Textile Mills Limited	606,000	-	-	275,500	330,500	23,631	1.43	4.10	0.13
Nishat Mills Limited	227,600	-	-	-	227,600	21,592	1.31	3.75	0.06
						45,223	2.74	7.85	
<b>Electricity</b>									
K - Electric Limited	900,000	-	-	-	900,000	6,696	0.41	1.16	0.00
Pakgen Power Limited	-	147,000	-	146,500	500	15	-	-	0.00
The Hub Power Company Limited	817,500	-	-	185,500	632,000	64,843	3.93	11.25	0.05
Kot Addu Power Company Limited	790,000	-	-	166,000	624,000	50,544	3.06	8.77	0.07
Lalpir Power Limited	920,500	-	-	920,500	-	-	-	-	-
						122,098	7.40	21.18	
<b>Commercial Banks</b>									
Meezan Bank Limited	332,000	37,500	-	10,500	359,000	16,424	0.99	2.85	0.04
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	239,500	-	-	-	239,500	14,978	0.91	2.60	0.06
						<u>576,214</u>	<u>34.88</u>	<u>100</u>	
						<u>619,498</u>			

Carrying value as at December 31, 2015

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

- 5.1.1 Investments include shares with market value of Rs 43.332 million (2015: Rs 54.775 million) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular Number 11 dated October 23, 2007 issued by the SECP.

	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	----- Rupees in '000 -----	
5.2 Unrealised (diminution) / appreciation on re-measurement of investments classified as financial asset 'at fair value through profit or loss'		
Market value of securities	576,214	816,603
Less: Carrying amount of securities	<u>(619,498)</u>	<u>(643,577)</u>
	<u>(43,284)</u>	<u>173,026</u>

- 5.3 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 to a shareholder if the Company collects from the shareholder tax equal to 5 percent of the value of the bonus shares issued. The value of tax is required to be computed on the basis of day-end price on the first day of book closure.

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

As at December 31, 2015, 522 shares of Hascol Pakistan Limited having market value of Rs 75 thousand were withheld by the company 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 the favour of the CISs.

	Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
		----- Rupees in '000 -----	
6 PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration of the Management Company	6.1	2,799	2,835
Sindh Sales Tax on remuneration of the Management Company	6.2	455	493
Federal Excise Duty on remuneration of the Management Company	6.3	9,770	7,051
Allocation of operational expenses from the Management Company	6.4	167	-
Sales load payable		<u>5,514</u>	<u>5,514</u>
		<u>18,705</u>	<u>15,893</u>

- 6.1 The Management Company has charged remuneration at the rate not exceeding 2% per annum based on average annual net assets for the period. The fee is payable to the Management Company monthly in arrears.
- 6.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 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.

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

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 9.770 million ( June 30, 2015: Rs 7.051 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 0.7035 per unit (June 30, 2015: Re 0.4960 per unit).

- 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 Scheme upto a 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 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 the December 31, 2015 and June 30, 2015.

## 8 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.

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

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 7.552 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 0.5437 per unit (June 30, 2015: Re 0.5312 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.

## 9 NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit, as disclosed on the condensed interim 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.

## 10 TAXATION

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

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.

## 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 RELATED PARTIES / 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), 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 key management personnel 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 connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 12.3 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.
- 12.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

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

	----- (Un-audited) -----			
	Half Year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
<b>NBP Fullerton Asset Management Limited - Management Company</b>				
Remuneration for the period	16,994	16,874	8,402	8,561
Sindh Sales Tax on remuneration of the Management Company	2,760	2,936	1,365	1,393
Federal Excise Duty on remuneration of the Management Company	2,719	2,700	1,344	1,370
Reimbursement of operational expenses to the Management Company	167	-	167	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration for the period	1,105	1,097	546	557
Sindh Sales Tax on remuneration of the Trustee	155	-	77	-
CDS charges	171	161	93	115
<b>Employees of the Management Company</b>				
Units issued / transfer in 5 Units (2014: 2,237 units)	1	-	-	-
Units redeemed / transferred out ; 505 units (2014: Nil units)	60	-	60	-
<b>National Bank of Pakistan - Sponsor</b>				
Profit on bank deposits	20	-	10	-
<b>Taurus Securities Limited</b>				
Brokerage expense	25	143	17	35
			(Un-audited) December 31, 2015	(Audited) June 30, 2015
			----- Rupees in '000 -----	

12.6 Amounts outstanding as at period end

<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management fee payable	2,799	2,835
Sindh Sales Tax payable on remuneration of the Management Company	455	493
Federal Excise Duty payable on remuneration of the Management Company	9,770	7,051
Operational expenses payable to the Management Company	167	-
Sales load payable	5,514	5,514
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	182	184
Sindh Sales Tax payable on remuneration of the Trustee	25	-
CDS charges payable	88	69
Security deposit receivable	100	100
<b>National Bank of Pakistan</b>		
Bank balance	879	65
Profit receivable	13	4
<b>Employees of the Management Company</b>		
Investment held in the Fund 1,814 units (June 30, 2015: 2,314 units)	216	278

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## 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:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- Fair value of GoP Ijarah Sukuk is derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from pre-defined / approved dealers / brokers.
- 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:

	----- Un-audited -----			
	-----As at December 31, 2015-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
<b>Assets</b>				
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	576,214	-	-	576,214
	----- Audited -----			
	----- As at June 30, 2015-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
<b>Assets</b>				
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	816,603	-	-	816,603
- Government Securities - GoP Ijarah Sukuk	-	55,861	-	55,861

## 14 DATE OF AUTHORISATION FOR ISSUE

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

## 15 GENERAL

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

15.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

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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