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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

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-II

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
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

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

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 – II (NIPPF – II)** for the half year ended December 31, 2015.

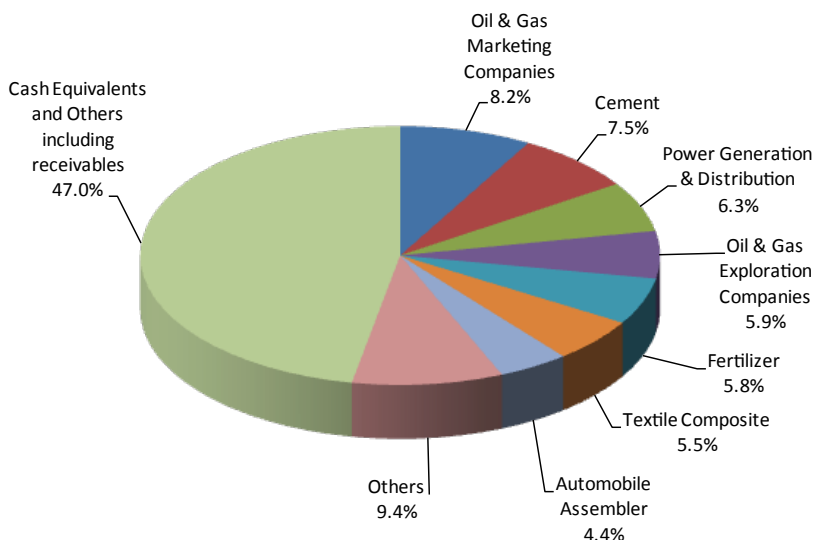
Fund's Performance

The size of NAFA Islamic Principal Protected Fund-II is Rs.1,205 million as at December 31, 2015. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has decreased from Rs. 118.7948 (Ex-Div) on June 30, 2015 to Rs. 115.5349 on December 31, 2015, thus showing a decline of 2.74%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) during the same period decline by 1.77%. Thus, the Fund has underperformed its Benchmark by 0.97% 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 incurred loss of 13.48 million during the period. After accounting for expenses of Rs.20.45 million, the total loss is Rs.33.93 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.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

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-II (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 II** 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: **Rashid A. Jafer**
Dated: February 29, 2016
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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
ASSETS			
Balances with banks	4	577,972	372,463
Investments	5	638,514	946,823
Dividend and profit receivable		4,246	4,327
Advances, deposits and prepayments		2,649	2,600
Preliminary expenses and floatation costs		575	1,155
Total assets		1,223,956	1,327,368
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	6	11,641	9,641
Payable to the Central Depository Company of Pakistan Limited -Trustee		150	141
Payable to the Securities and Exchange Commission of Pakistan		483	979
Accrued expenses and other liabilities		6,431	8,532
Total liabilities		18,705	19,293
NET ASSETS		1,205,251	1,308,075
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,205,251	1,308,075
CONTINGENCIES AND COMMITMENTS			
	7	(Number of units)	
NUMBER OF UNITS IN ISSUE		10,431,923	10,991,585
NET ASSET VALUE PER UNIT	8	115.5349	119.0069

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-II

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 -----					
INCOME					
Capital (loss) / gain on sale of investments - net	(3,417)	4,180	(13,443)	1,744	
Profit on bank deposits	12,911	29,578	6,930	15,437	
Dividend income	25,066	18,000	11,281	9,617	
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(48,292)	86,556	8,932	81,330	
Total income	(13,732)	138,314	13,700	108,128	
EXPENSES					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	6.1	12,882	13,038	6,272	6,749
Sindh Sales Tax on the Management Company's remuneration	6.2	2,092	2,269	1,019	1,102
Federal Excise Duty on the Management Company's remuneration	6.3	2,061	2,086	1,004	1,080
Allocation of operational expenses from the Management Company	6.4	121	-	121	-
Remuneration of the Central Depository Company of Pakistan Limited -Trustee		838	847	408	438
Sindh Sales Tax on remuneration of the Trustee		117	-	57	-
Annual fee of the Securities and Exchange Commission of Pakistan		484	489	236	253
Amortisation of preliminary expenses and floatation costs		580	580	290	288
Auditors' remuneration		233	190	124	39
Annual listing fee		20	20	10	10
Printing charges		22	73	22	73
Securities transaction cost		759	1,254	356	379
Settlement and bank charges		247	315	104	194
Total operating expense		20,456	21,161	10,023	10,605
Net (loss) / income from operating activities		(34,188)	117,153	3,677	97,523
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		255	-	337	-
Provision for Workers' Welfare Fund	9	-	(2,343)	-	(1,950)
Net (loss) / income for the period before taxation		(33,933)	114,810	4,014	95,573
Taxation	10	-	-	-	-
Net (loss) / income for the period after taxation		(33,933)	114,810	4,014	95,573
Earnings per unit	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-II

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	(33,933)	114,810	4,014	95,573
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	(33,933)	114,810	4,014	95,573

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-II

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 / (loss)	64,964	(27)	225,416	14,205
Unrealised gain / (loss)	143,577	995	(57,224)	5,226
	<u>208,541</u>	<u>968</u>	<u>168,192</u>	<u>19,431</u>
Net income / (loss) for the period after taxation	(33,933)	114,810	4,014	95,573
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	(2,653)	-	(1,879)
Final distribution made during the period - Re 0.2192 per unit distribution for the year ended June 30, 2015	(2,402)	-	-	-
Undistributed income carried forward	<u>172,206</u>	<u>113,125</u>	<u>172,206</u>	<u>113,125</u>
Undistributed income comprising of :				
Realised gain	220,498	26,569	220,498	26,569
Unrealised (loss) / gain	(48,292)	86,556	(48,292)	86,556
	<u>172,206</u>	<u>113,125</u>	<u>172,206</u>	<u>113,125</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-II

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	1,308,075	792,371	1,254,353	1,307,355
Issue of 18,303 units (2014: 5,259,569 units)	2,249	525,999	-	-
Redemption of 577,965 units (2014: 651,793 units)	(68,483)	(67,312)	(52,779)	(37,060)
	(66,234)	458,687	(52,779)	(37,060)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net				
- transferred to distribution statement	-	2,653	-	1,879
- transferred to income statement	(255)	-	(337)	-
	(255)	2,653	(337)	1,879
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(48,292)	86,556	8,932	81,330
Capital (loss) / gain on sale of investments - net	(3,417)	4,180	(13,443)	1,744
Other net income for the period	17,776	24,074	8,525	12,499
Net (loss) / income for the period	(33,933)	114,810	4,014	95,573
Final distribution made during the period				
- Rs 0.2192 per unit distribution for the year ended June 30, 2015	(2,402)	-	-	-
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed transferred to the distribution statement	-	(2,653)	-	(1,879)
Net assets at the end of the period	1,205,251	1,365,868	1,205,251	1,365,868

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-II

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 -----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net (loss) / income for the period before taxation	(33,933)	114,810	4,014	95,573
Adjustments				
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	48,292	(86,556)	(8,932)	(81,330)
Dividend Income	(25,066)	(18,000)	(11,281)	(9,617)
Profit on bank deposits	(12,911)	(29,578)	(6,930)	(15,437)
Amortisation of preliminary expenses and floatation costs	580	580	290	288
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	(255)	-	(337)	-
Federal excise duty on remuneration of the Management Company	2,061	2,086	1,003	1,080
Provision for Workers' Welfare Fund	-	2,343	-	1,950
	(21,232)	(14,315)	(22,173)	(7,493)
Decrease / (Increase) in assets				
Investments	260,017	(419,158)	90,215	(39,737)
Receivable against sale of investments	-	(9,347)	41,737	14,132
Advances, deposits and prepayments	(49)	99,973	11	(27)
	259,968	(328,532)	131,963	(25,632)
(Decrease) / Increase in liabilities				
Payable to the Management Company	(61)	(18,660)	57	(4,947)
Payable to the Central Depository Company of Pakistan Limited -Trustee	9	142	(5)	(105)
Payable to the Securities and Exchange Commission of Pakistan	(496)	484	235	253
Payable against purchase of investments	-	(155,911)	-	-
Accrued expenses and other liabilities	(2,254)	451	(844)	(1,792)
	(2,802)	(173,494)	(557)	(6,591)
Dividends received	26,290	17,838	22,735	16,701
Profit received	11,768	24,867	6,441	15,574
Net cash generated from / (used in) operating activities	273,992	(473,636)	138,409	(7,441)
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of units	-	525,999	-	-
Payments on redemption of units	(68,483)	(67,457)	(53,895)	(37,060)
Net cash (used in) / generated from financing activities	(68,483)	458,542	(53,895)	(37,060)
Net increase / (decrease) in cash and cash equivalents during the period	205,509	(15,094)	84,514	(44,501)
Cash and cash equivalents at the beginning of the period	372,463	710,807	493,458	740,214
Cash and cash equivalents at the end of the period	577,972	695,713	577,972	695,713

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-II

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-II (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 May 07, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 15, 2014. under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The 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 - II 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 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 June 28, 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 the 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. 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-II

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

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published annual 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 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 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 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 -----	-----
4 BALANCES WITH BANKS			
Profit and loss saving accounts	4.1	576,644	354,706
Current account		1,328	17,757
		<u>577,972</u>	<u>372,463</u>
4.1 These carry profit at the rates ranging from 4.00% to 7.00% (June 30, 2015: 6.00% to 10.25%) per annum.			
	Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
		----- Rupees in '000 -----	-----
5 INVESTMENTS			
Financial assets 'at fair value through profit or loss'			
- Listed equity securities	5.1	638,514	946,823

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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 ----- % -----									
Oil and Gas Marketing Companies									
Attock Petroleum Limited	74,300	-	-	11,950	62,350	31,494	2.61	4.93	0.08
Hascal Petroleum Limited (note 5.3)	63,530	-	146	62,800	876	126	0.01	0.02	0.00
Pakistan State Oil Company Limited	137,200	39,000	-	35,000	141,200	45,999	3.82	7.20	0.05
						77,619	6.44	12.16	
Oil and Gas Exploration Companies									
Pakistan Oilfields Limited	136,500	50,000	-	42,100	144,400	38,702	3.21	6.06	0.06
Pakistan Petroleum Limited	164,700	235,000	-	132,000	267,700	32,609	2.71	5.11	0.01
						71,311	5.92	11.17	
Oil Refinery									
Attock Refinery Limited	125,600	41,200	-	166,800	-	-	-	-	-
National Refinery Limited	85,100	59,600	-	144,700	-	-	-	-	-
Sui Northern Gas Pipeline Limited	-	370,500	-	370,500	-	-	-	-	-
Shell Pakistan Limited	85,500	15,500	-	7,400	93,600	21,363	1.77	3.35	0.09
						21,363	1.77	3.35	
Chemicals									
Engro Corporation Limited	356,800	46,100	-	246,200	156,700	43,780	3.63	6.86	0.03
Engro Fertilizers Limited	314,000	319,000	-	319,000	314,000	26,417	2.19	4.14	0.01
Fauji Fertilizer Company Limited	-	115,900	-	115,900	-	-	-	-	-
						70,197	5.82	10.99	
Construction and Materials									
Akzo Nobel Pakistan Limited	45,500	-	-	800	44,700	9,698	0.80	1.52	0.10
D.G. Khan Cement Company Limited	375,000	53,500	-	258,700	169,800	25,061	2.08	3.92	0.04
Fauji Cement Company Limited	-	530,000	-	176,000	354,000	13,033	1.08	2.04	0.03
Kohat Cement Company Limited	13,000	-	-	12,600	400	96	0.01	0.02	0.00
Lucky Cement Limited	138,700	23,700	-	100,100	62,300	30,841	2.56	4.83	0.02
Maple Leaf Cement Factory Limited	344,000	131,000	-	339,000	136,000	10,143	0.84	1.59	0.03
Pioneer Cement Limited	85,000	215,500	-	180,000	120,500	10,949	0.91	1.71	0.05
						99,821	8.28	15.63	
Pharma and Bio Tech									
Abbott Laboratories (Pakistan) Limited	3,000	-	-	1,800	1,200	762	0.06	0.12	0.00
Ferozsons Laboratories Limited	20,250	-	-	7,200	13,050	14,445	1.20	2.26	0.04
						15,207	1.26	2.38	
General Industrials									
Thal Limited	78,600	-	-	-	78,600	19,912	1.65	3.12	0.10
Household Goods									
Pak Elektron Limited	290,500	-	-	46,000	244,500	15,291	1.27	2.39	0.06
Engineering									
Mughal Iron & Steel Industries Limited (note 5.3)	125,000	104,500	26,475	100,000	155,975	10,872	0.90	1.70	0.14
Automobile and Parts									
Ghandhara Nissan Limited	88,500	8,000	-	96,500	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	71,500	7,200	-	78,700	-	-	-	-	-
Indus Motor Company Limited	32,450	1,660	-	8,280	25,830	26,132	2.17	4.09	0.31
Pak Suzuki Motor Company Limited	33,000	34,800	-	13,800	54,000	26,746	2.22	4.19	0.66
						52,878	4.39	8.28	
Personal Goods									
Kohinoor Textile Mills Limited	800,500	-	-	85,500	715,000	51,122	4.24	8.01	0.29
Nishat Mills Limited	146,600	15,000	-	-	161,600	15,331	1.27	2.40	0.05
						66,453	5.51	10.41	
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	-	1,140,000	-	-	1,140,000	18,799	1.56	2.94	0.03
Technology Hardware and Equipment									
Avanceon Limited	276,500	-	-	49,000	227,500	9,282	0.77	1.45	0.22
Electricity									
K-Electric Limited	255,000	-	-	-	255,000	1,897	0.16	0.30	0.00
The Hub Power Company Limited	722,500	-	-	481,000	241,500	24,778	2.06	3.88	0.02
Kot Addu Power Company Limited	633,000	-	-	171,000	462,000	37,422	3.10	5.86	0.05
Lalpur Power Limited	809,500	-	-	425,000	384,500	11,435	0.95	1.79	0.10
						75,532	6.27	11.83	
Commercial Banks									
Meezan Bank Limited	166,500	139,000	-	-	305,500	13,977	1.16	2.19	0.03
						638,514	52.98	100.00	
						686,806			

Carrying value as at December 31, 2015

686,806

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

5.1.1 Investments include shares with market value of Rs 53.82 million (June 30, 2015: 68.46 million) which have been pledged with 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	638,514	946,823
Less: Carrying amount of securities	<u>(686,806)</u>	<u>(803,246)</u>
	<u>(48,292)</u>	<u>143,577</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 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, the withholding tax provision should not be applicable on bonus shares received by the CISs. A stay order has been granted by the High Court of Sindh in favour of the CISs.

As at December 31, 2015, the following bonus shares of the Fund were withheld by certain companies at the time of 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.

Names of the Company	Bonus Shares	
	Number	Market value
	Rupees in '000	
Hascol Petroleum Company Limited	813	117
Mughal Iron and Steel Industries Limited	1,324	<u>92</u>
		<u>209</u>

	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	2,032	2,167
Sindh Sales Tax payable on remuneration of the Management Company	6.2	330	377
Federal Excise Duty on the remuneration of the Management Company	6.3	6,259	4,198
Allocation of operational expenses from the Management Company	6.4	121	-
Sales load payable		<u>2,899</u>	<u>2,899</u>
		<u>11,641</u>	<u>9,641</u>

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

- 6.1 The Management Company has charged remuneration at the rate of 2% per annum based on the average daily 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.

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 6.259 million (June 30, 2015: Rs. 4.198 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 0.5997 per unit (June 30, 2015: Re 0.3819 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. 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 December 31, 2015 and June 30, 2015.

8 NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit, as disclosed in the condensed interim statement of assets 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.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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 5.070 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 0.4860 per unit (June 30, 2015: Re 0.4612 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 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) has not been disclosed as in the opinion of the management, determination of weighted average 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), 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 connected persons are in the normal course of business, at contracted rates and the terms determined in accordance with the market rates.
- 12.3 Remuneration 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-II

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) -----			
NBP Fullerton Asset Management Limited - (Management Company)				
Remuneration of the Management Company	12,882	13,038	6,272	6,749
Sindh Sales Tax on remuneration of the Management Company	2,092	2,269	1,018	1,102
Federal Excise Duty on remuneration of the Management Company	2,061	2,086	1,003	1,080
Allocation of operational expenses from the Management Company	121	-	121	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	838	847	408	438
Sindh Sales Tax on remuneration of the Trustee	117	-	57	-
CDS charges	199	223	103	137
PTCL Employees General Provident Fund				
Issue of 7267 units (2014: 3,999,948 units)	893	400,000	-	-
Employees of the Management Company				
Issue of 3 units (2014: 18,006 units)	-	1,800	-	-
Redemption of Nil units (2014 18,006 units)	-	1,788	-	-
Taurus Securities Limited				
Brokerage expense	38	154	31	32

* Nil due to rounding off

(Un-audited) December 31, 2015	(Audited) June 30, 2015
----- Rupees in '000 -----	

12.6 Balances outstanding as at period / year end

NBP Fullerton Asset Management Limited - (Management Company)		
Management remuneration payable	2,032	2,167
Sindh Sales Tax (SST) payable on remuneration of the Management Company	330	377
Federal Excise Duty (FED) payable on remuneration of the Management Company	6,259	4,198
Allocation of operational expenses from the Management Company	121	-
Sales load payable	2,899	2,899
Central Depository Company of Pakistan Limited - (Trustee)		
Remuneration payable	132	141
Sindh Sales Tax payable on remuneration of the Trustee	18	-
CDS charges payable	60	60
Security deposit receivable	100	100
PTCL Employees General Provident Fund		
Units held: 4,080,242 units (June 30, 2015: 4,072,975 units)	471,410	484,712
Employees of the Management Company		
Units held: 1,534 units (June 30, 2015: 1,531 Units)	177	182

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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.
- 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:

Assets	----- Un-audited -----			
	-----As at December 31, 2015-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity	638,514	-	-	638,514
Assets	----- Audited -----			
	-----As at June 30, 2015-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	946,823	-	-	946,823

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, unless otherwise is specified.

15.2 Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of better presentation. However, 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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