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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

ANNUAL REPORT 2015



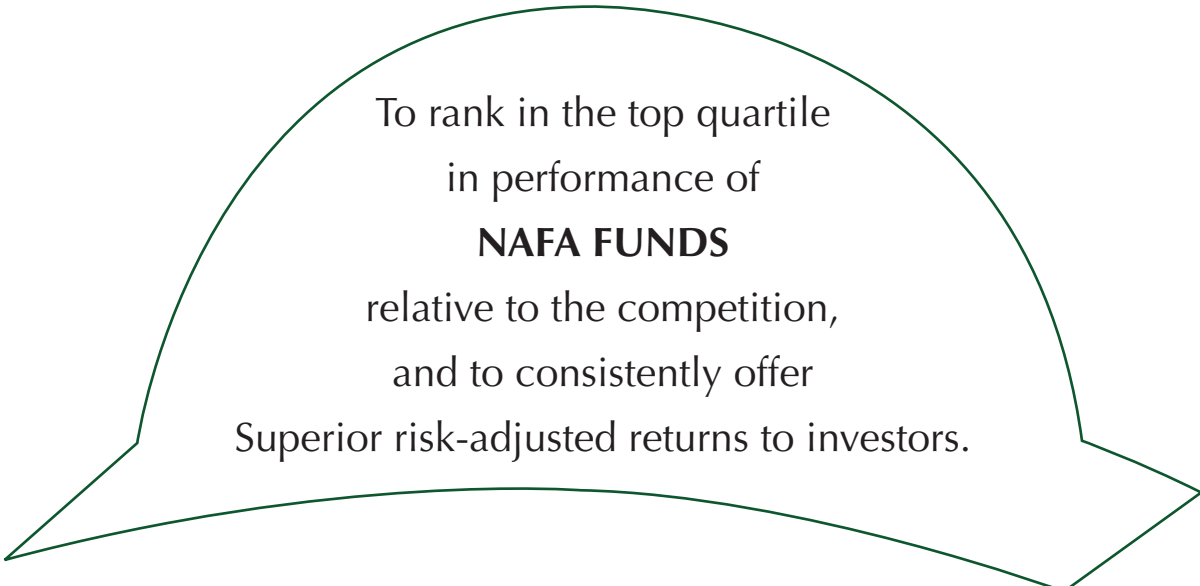
Your investments & "NAFA" grow together



**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.

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 & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shakra-e-Faisal, Karachi.

Bankers to the Fund

Bank Alfalah Limited
Habib Bank Limited
United Bank Limited
Meezan Bank Limited
Sindh Bank Limited

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

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:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

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

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Board of Directors



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Nigel Poh Cheng
Director



Mr. Abdul Hadi Palekar
Director

Senior Management*



Dr. Amjad Waheed, CFA
Chief Executive Officer



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



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. Zeeshan
Chief - Strategy &
Business Development



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



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



Syed Suleman Akhtar CFA
Head of Research



Mr. Tahir Lateef
Head of Internal Audit



Mr. Ahmad Nouman CFA, PRM
Head of Risk Management



Mr. Asim Wahab Khan, CFA
Head of Equity

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Second Annual Report of **NAFA Islamic Principal Protected Fund - II** for the year ended June 30, 2015.

NAFA launched its second open-end Islamic capital protected fund on June 27, 2014, namely NAFA Islamic Principal Protected Fund (NIPPF-II). The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved Shariah compliant equities and money market instruments while protecting initial investment value at Initial Maturity date, which is two years from launch date. The Fund is presently closed for new subscription.

Fund's Performance

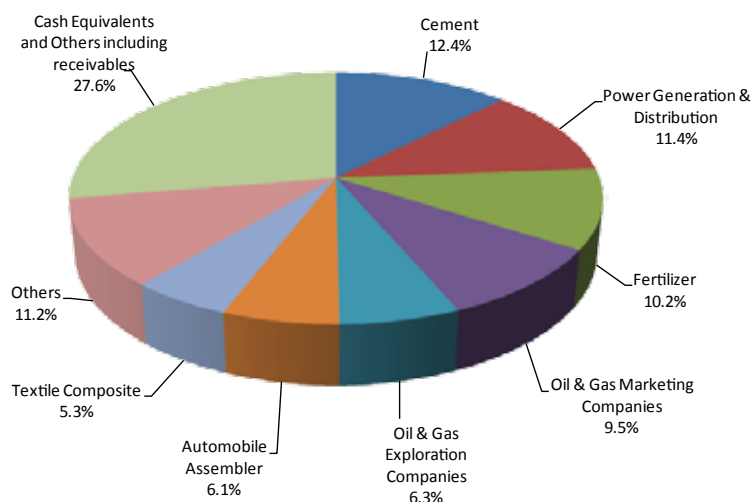
During FY2014-15, the benchmark KMI-30 Index soared by 20.10%. Despite a challenging political environment which led to heightened volatility in the market, FY15 was the 6th consecutive year of double digit returns. The KSE-100 Index witnessed bullish momentum driven by strengthening foreign exchange reserves amid successful ongoing IMF and Privatization programs; issuance of international sukuk bonds; steep fall in oil prices and inflation and resultant 300bps cut in SBP discount rate to 7.0%; and rating upgrades by international rating agencies. Mutual Funds and foreigners remained net buyers in the market on the back of strong macroeconomic outlook, attractive valuations, and improving security situation.

Trading activity in Sukuks remained skewed towards the high quality issues. Dearth of primary issuance versus elevated demand further depressed the yield on the high credit quality corporate bonds. During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange reserves as the key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the short term and long term sovereign bonds declining sharply. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

During the period, the unit price of NAFA Islamic Principal Protected Fund - II has increased from Rs.98.1398 (Ex-Div) on June 30, 2014 to Rs. 118.7948 (Ex-Div) on June 30, 2015, thus showing an increase of 21.05%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) return during the same period was 12.18%. Thus, the Fund has outperformed its Benchmark by 8.87% during the period under review. Since inception (June 27, 2014), NIPPF-II has risen by 21.19%, whereas the Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) has increased by 12.56%, thus to date out-performance is 8.63%.

This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-II is Rs.1,308 million as of June 30, 2015.

The Fund has earned a total income of Rs.294.78 million during the year. After deducting total expenses of Rs.47.25 million, the net income is Rs.247.53 million. The asset allocation of NAFA Islamic Principal Protected Fund - II as on June 30, 2015 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 2.39% of the par value for the year.

Taxation

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

Auditors

The present auditors, Messrs A.F.Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2016.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held six meetings during the year. The attendance of all directors is disclosed in the note 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 18 to these financial statements.

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 30, 2015
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) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Principal Protected Fund-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 year ended June 30, 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: October 13, 2015

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Islamic Principal Protected Fund - II** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Lahore Stock Exchange.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2015, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Nigel Poh Cheng 5. Mr. Koh Boon San

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred on the board on February 17, 2015 which was filled up on the same date.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities the Code requires every listed company to conduct formal orientation for directors. As per the Code, by June 30, 2015 a minimum of three directors should have attended director training program. As at year end, three of the directors have attended the director's training program offered by Pakistan Institute of Corporate Governance. Other directors are also conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. There was no new appointment of the Chief Financial Officer (CFO), Company Secretary, or Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 18 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors including an independent director and the chairman of the committee is a non-independent director.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with. While the Code of Corporate Governance requires that a mechanism shall be put in place for the annual evaluation of the Board's own performance by April 2014, the Management Company has prepared a framework for this purpose and eventual approval by the Board of Directors of the Management Company will be obtained in forthcoming Board of Directors meeting, subsequent to year end.

For and behalf of the board

Karachi
September 30, 2015

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

FUND MANAGER REPORT

NAFA Islamic Principal Protected Fund-II

NAFA Islamic Principal Protected Fund-II is a Shariah Compliant Capital Protected fund

Investment Objective of the Fund

The objective of NAFA Islamic Principal Protected 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.

Benchmark

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

Fund performance review

This is the second annual report of the Fund. During the period, the unit price of NAFA Islamic Principal Protected Fund - II has increased from Rs.98.1398 (Ex-Div) on June 30, 2014 to Rs. 118.7948 (Ex-Div) on June 30, 2015, thus showing an increase of 21.05%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) return during the same period was 12.18%. Thus, the Fund has outperformed its Benchmark by 8.87% during the period under review. Since inception (June 27, 2014), NIPPF-II has risen by 21.19%, whereas the Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) has increased by 12.56%, thus to date out-performance is 8.63%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-II is Rs.1,308 million as of June 30, 2015.

The Fund has gradually built its position in equities and its current stock exposure stands at around 72.38%. Key holdings of the Fund belong to Cement, Power Generation & Distribution and Fertilizer sectors. The Fund can invest up to 100% in equities.

During FY2014-15, the benchmark KMI-30 Index soared by 20.10%. Despite a challenging political environment which led to heightened volatility in the market, FY15 was the 6th consecutive year of double digit returns. The Market witnessed bullish momentum due to strengthening FX reserves, successful ongoing IMF and Privatization programs, issuance of international sukuk bonds, steep fall in inflation and resultant 300bps cut in SBP discount rate to 7.0% and rating upgrades by international rating agencies. Mutual Funds and foreigners remained net buyers in the market on the back of strong macroeconomic outlook and improvement in political and security situation.

Trading activity in Sukuks remains skewed towards the high quality issues. Dearth of primary issuance versus elevated demand kept the yield on the high credit quality corporate bonds depressed. During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange as key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the short term and long term sovereign bonds declining sharply. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-15	30-Jun-14
Equities / Stocks	72.38%	19.88%
Cash Equivalents	28.47%	102.73%
Other Net (Liabilities) / Assets	-0.85%	-22.61%
Total	100.00%	100.00%

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Distribution for the Financial Year 2015

Interim / Final	Dividend as a % of Par Value (Rs. 100)	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Interim	2.1727%	120.3682	118.1955
Final	0.2192%	119.0069	118.7877

Unit Holding Pattern of NAFA Islamic Principal Protection Fund-I as on June 30, 2015

Size of Unit Holding (Units)	No. of Unit Holders
1	83
1,001	212
5,001	106
10,001	76
50,001	14
100,001	12
500,001	1
1000,001	1
Total	505

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of 5.070 million. If the same were not made, the NAV per unit/last one year return of scheme would have been higher by Rs 0.4612 / 0.47%. For details, investors are advised to read the Note 16 of the Financial Statements of the Scheme for the year ended June 30, 2015.

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Principal Protected Fund-II (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2015. This has been duly confirmed by the Shariah Advisor of the Fund.

For and behalf of the board

Karachi
September 30, 2015

Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Report of the *Shar'iah Advisor* – NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Sep 01, 2015/Ziqad 16, 1436

Alhamdulillah, the period from July 1, 2014 to June 30, 2015 was the second year of operations of NAFA Islamic Principal Protected Fund (NIPPF – II). This report is being issued in accordance with clause 4.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on fulfillment of the Shariah Compliance requirements for launching of the fund.

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

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

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

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIPPF – II for the period ended June 30, 2015 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 709,118/- was created and an amount of Rupees 722,436/- (393,669+328,767) was available for disbursement into charity as of June 30, 2015. However, the provisional amount will be adjusted after the availability of the respective annual financial statements. Out of the amount available for disbursement, Rupees 328,767/- relates to income received from NCCPL.

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

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

Bilal Ahmed Qazi
Shar'iah Advisor

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Islamic Principal Protected Fund II** (the Fund) for the year ended June 30, 2015 to comply with the Listing Regulation No.35 (Chapter XI) of the Lahore Stock Exchange where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2015.

Further, we highlight below the instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these have been stated in the Statement of Compliance:

Paragraph reference	Description
21	No closed period was determined prior to the announcement of interim / final results.
23	The Management Company has not set up a mechanism for the annual evaluation of the Board's own performance.

A.F. Ferguson & Co.
Chartered Accountants
Dated: September 30, 2015
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Islamic Principal Protected Fund - II** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2015, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (**NBP Fullerton Asset Management Limited**) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Noman Abbas Sheikh**
Dated: September 30, 2015
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2015

	Note	2015 -----Rupees in '000-----	2014
ASSETS			
Balances with banks	4	372,463	710,807
Investments	5	946,823	156,906
Dividend and profit receivable	6	4,327	480
Advances and deposits	7	2,600	102,600
Preliminary expenses and floatation costs	8	1,155	2,306
Total assets		1,327,368	973,099
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	9,641	24,309
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	141	8
Payable to the Securities and Exchange Commission of Pakistan	11	979	5
Payable against redemption of units		-	145
Payable against purchase of investments		-	155,911
Accrued expenses and other liabilities	12	8,532	350
Total liabilities		19,293	180,728
NET ASSETS		<u>1,308,075</u>	<u>792,371</u>
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		<u>1,308,075</u>	<u>792,371</u>
CONTINGENCIES AND COMMITMENTS	13		
		-----Total number of units-----	
NUMBER OF UNITS IN ISSUE	14	<u>10,991,585</u>	<u>7,914,029</u>
		-----Rupees-----	
NET ASSET VALUE PER UNIT	3.12	<u>119.0069</u>	<u>100.1223</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
-----Rupees in '000-----			
INCOME			
Capital gain on sale of investments - net		75,514	-
Profit on bank deposits		47,486	480
Dividend income		35,779	-
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.2	143,577	995
Total income		302,356	1,475
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	26,117	122
Sindh Sales Tax on the Management Company's remuneration	9.2	4,544	23
Federal Excise Duty on the Management Company's remuneration	9.3	4,179	20
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	1,698	8
Annual fee - Securities and Exchange Commission of Pakistan	11.1	979	5
Amortisation of preliminary expenses and floatation costs	8	1,151	10
Auditors' remuneration	15	345	80
Annual listing fee		40	20
Printing charges		123	50
Securities transaction costs		2,279	167
Settlement and bank charges		619	68
Legal and professional charges		125	-
Others		-	8
Total operating expenses		42,199	581
Net income from operating activities		260,157	894
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		(7,573)	-
Provision for Workers' Welfare Fund	16	(5,052)	(18)
Net income for the year / period before taxation		247,532	876
Taxation	17	-	-
Net income for the year / period after taxation		247,532	876
Earning per unit	3.13		

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
	-----Rupees in '000-----	
Net income for the year / period after taxation	247,532	876
Other comprehensive income for the year / period	-	-
Total comprehensive income for the year / period	<u>247,532</u>	<u>876</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
-----Rupees in '000-----		
Undistributed income at the beginning of the year / period comprising of:		
Realised loss	(27)	-
Unrealised gain	995	-
	<u>968</u>	<u>-</u>
Net income for the year / period after taxation	247,532	876
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(16,479)	92
Distributions made during the year / period - Rs 2.1727 per unit declared on June 30, 2015 (2014 : Nil) - Cash distribution	(23,480)	-
Undistributed income carried forward	<u>208,541</u>	<u>968</u>
Undistributed income at the end of the year / period carried forward comprising of :		
Realised gain / (loss)	64,964	(27)
Unrealised gain	143,577	995
	<u>208,541</u>	<u>968</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2015

	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
	-----Rupees in '000-----	
Net assets at the beginning of the year / period	792,371	-
Issue of 5,444,217 units (2014 : 7,915,476 units)	547,767	791,640
Redemption of 2,366,661 units (2014 : 1,447 units)	(263,688) 284,079	(145) 791,495
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net		
- transferred to income statement	7,573	-
- transferred to distribution statement	16,479 24,052	92 92
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	143,577	995
Capital gain on sale of investments - net	75,514	-
Other net income for the year / period	28,441 247,532	(119) 876
Distribution made during the year / period		
- Rs 2.1727 per unit declared on June 30, 2015 (2014 : Nil)		
- Cash distribution	(23,480)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to distribution statement - net	(16,479)	(92)
Net assets at the end of the year / period	<u>1,308,075</u>	<u>792,371</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
Note	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year / period before taxation	247,532	876
Adjustments for:		
Profit on bank deposits	(47,486)	(480)
Dividend income	(35,779)	-
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(143,577)	(995)
Amortisation of preliminary expenses and floatation costs	1,151	10
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	7,573	-
Provision for Workers' Welfare Fund	5,052	18
Federal excise duty on the remuneration of the Management Company	4,179	20
	(208,887)	(1,427)
(Increase) / decrease in assets		
Investments	(646,340)	(155,911)
Advances and deposits	100,000	(102,600)
	(546,340)	(258,511)
(Decrease) / increase in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management Company	(18,847)	21,973
Payable to the Central Depository Company of Pakistan Limited - Trustee	133	8
Payable to the Securities and Exchange Commission of Pakistan	974	5
Payable against purchase of investments	(155,911)	155,911
Accrued expenses and other liabilities	1,624	332
	(172,027)	178,229
Profit received on bank balances	46,229	-
Dividend received	33,189	-
Net cash used in operating activities	(600,304)	(80,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	525,793	791,640
Payments on redemption of units	(263,833)	-
Net cash generated from financing activities	261,960	791,640
Net (decrease) / increase in cash and cash equivalents during the year / period	(338,344)	710,807
Cash and cash equivalents at the beginning of the period	710,807	-
Cash and cash equivalents at the end of the year / period	4	710,807
	372,463	710,807

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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 and Notified Entities Regulations, 2008 (the NBFC Regulations).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The principal office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

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

The objective of NAFA Islamic Principal Protection Fund-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 initial maturity term.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

The following amendments to existing standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2014:

- Amendment to IAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have significant effect on the financial statements of the Fund.
- IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions." The interpretation addresses the obligating event that give rise to pay a levy and when a liability should be recognised. The Fund has incorporated the impact of this amendment in the financial statements.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are, therefore, not detailed in these financial statements.

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

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

Further, the following new standards have been issued by the IASB which is yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

2.4 Critical accounting estimates and judgments

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

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

2.5 Accounting Convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

3.2 Financial assets

3.2.1 Classification

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

Investments are classified as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

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

c) Available for sale

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

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed out in the income statement.

3.2.4 Subsequent measurement

a) Financial assets at fair value through profit or loss and available for sale

Subsequent to initial recognition, financial assets designated by the management as "at fair value through profit or loss" and "available for sale" are valued as follows:

- Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

- Basis of valuation of debt securities

The investment of the Fund in sharia compliant debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates the MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The methodology also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

- Basis of valuation of government securities

The investments of the Fund in government securities are valued on the basis of rates published by the MUFAP.

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

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

b) Loans and receivables

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

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment

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

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

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

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

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.5 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of two years in accordance with the requirements set out in the Trust Deed of the Fund.

3.7 Taxation

Current

The income of the Fund is exempt from Income Tax 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 the accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders.

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

Deferred

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

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

Units redeemed are recorded at the redemption price, as per the constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents daily Net Asset Value (NAV) announced as of the close of the dealing day less any back end load, provisions for transaction costs and any provision for duties and charges, if applicable.

3.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element is determined based on the income / (loss) incurred during the year including income / (loss) arising as a result of unrealised appreciation / (diminution) on available for sale securities.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Uptill March 31, 2015, the element so determined was recognised in the distribution statement. From April 1, 2015, the Fund has revised its methodology for the allocation of element. As per the revised methodology, element arising as a result of unrealised appreciation / (diminution) on available for sale securities is recognised in the distribution statement. The remaining portion of the element is recognised in the income statement. The revised methodology in the opinion of the management reflects more appropriate manner for allocation of element.

The revision has been accounted for as a change in accounting estimate in accordance with the requirement of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Had the Fund not revised its methodology, income for the year would have been higher by Rs 7.422 million and amount of element of loss taken to distribution statement would have been higher by Rs 7.573 million. Further, the Net Asset Value (NAV) per unit of the Fund as at June 30, 2015 would have been lower by Re 0.0137.

3.10 Proposed distributions

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

3.11 Revenue recognition

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

3.12 Net asset value per unit

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

3.13 Earning per unit (EPU)

Earning per unit has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of units outstanding during the year for calculating earnings per unit is not practicable.

	Note	June 30, 2015	June 30, 2014
		-----Rupees in '000-----	
4 BALANCES WITH BANKS			
Profit and loss saving accounts	4.1	354,706	493,403
Current account		<u>17,757</u>	<u>217,404</u>
		<u>372,463</u>	<u>710,807</u>
4.1 These carry profits at the rates ranging from 6% to 10.25% (June 30, 2014 : 6.50% to 8.70%) per annum.			
	Note	June 30, 2015	June 30, 2014
5 INVESTMENTS		-----Rupees in '000-----	
'Financial assets at fair value through profit or loss' - net			
- Investments in listed equity securities	5.1	<u>946,823</u>	<u>156,906</u>

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.

Sector / Name of the investee company	Number of shares					Market value as at June 30, 2015	Market Value as a percentage of		Holding as a percentage of Paid up capital of the investee company
	As at July 1, 2014	Purchases during the period	Bonus / Right Issue	Sales / during the period	As at June 30, 2015		Net assets	Total investments	
(Rupees in '000) -----%-----									
Oil & Gas									
Attock Petroleum Limited	-	74,300	-	-	74,300	42,144	3.22	4.45	0.09
Attock Refinery Limited	-	125,600	-	-	125,600	28,693	2.19	3.03	0.15
Hascol Petroleum	-	157,500	13,530	107,500	63,530	7,275	0.56	0.77	0.06
National Refinery Limited	-	90,700	-	5,600	85,100	19,748	1.51	2.09	0.11
Oil and Gas Development Company Limited	29,400	152,000	-	181,400	-	-	-	-	-
Pakistan Oilfields Limited	23,500	240,200	-	127,200	136,500	55,122	4.21	5.82	0.06
Pakistan Petroleum Limited	68,000	471,100	-	374,400	164,700	27,054	2.07	2.86	0.01
Pakistan State Oil Company Limited	24,600	251,700	-	139,100	137,200	52,930	4.05	5.59	0.05
Shell Pakistan Limited	-	85,500	-	-	85,500	21,628	1.65	2.28	0.08
						254,594	19.46	26.89	
Chemicals									
Engro Fertilizers Company Limited	-	629,000	-	315,000	314,000	27,849	2.12	2.95	0.02
Engro Corporation Limited	-	433,100	-	76,300	356,800	105,898	8.09	11.19	0.07
Fatima Fertilizer Company Limited	-	292,000	-	292,000	-	-	-	-	-
Fauji Fertilizer Company Limited	-	137,000	-	137,000	-	-	-	-	-
						133,747	10.21	14.14	
Construction and Materials									
Akzo Nobel Pakistan Limited	-	77,000	-	31,500	45,500	14,522	1.11	1.53	0.10
Cherat Cement Company Limited	-	239,000	-	239,000	-	-	-	-	-
D.G. Khan Cement Company Limited	88,000	1,150,000	-	863,000	375,000	53,539	4.09	5.65	0.09
Kohat Cement Company Limited	-	44,200	-	31,200	13,000	2,598	0.20	0.27	0.01
Lucky Cement Limited	39,000	228,800	-	129,100	138,700	72,071	5.51	7.61	0.04
Maple Leaf Cement Factory Limited	253,000	1,619,000	-	1,528,000	344,000	27,025	2.07	2.85	0.07
Pioneer Cement Limited	334,000	621,000	-	870,000	85,000	7,250	0.55	0.77	0.04
						177,005	13.53	18.68	
General Industrials									
Ghani Glass Limited	6,000	131,500	-	137,500	-	-	-	-	-
Thal Limited	36,000	42,600	-	-	78,600	22,435	1.72	2.37	0.10
						22,435	1.72	2.37	
Automobile and Parts									
Ghandhara Nissan Limited	59,000	134,500	-	105,000	88,500	8,752	0.67	0.92	0.20
Honda Atlas Cars Pakistan Limited	-	255,000	-	183,500	71,500	15,636	1.20	1.65	0.05
Indus Motor Company Limited	-	32,450	-	-	32,450	40,530	3.10	4.28	0.04
Pak Suzuki Motor Company Limited	28,400	133,500	-	128,900	33,000	14,385	1.10	1.52	0.04
						79,303	6.07	8.37	
Household Goods									
Pak Elektron Limited	-	455,500	-	165,000	290,500	24,036	1.84	2.54	0.07
Tariq Glass Industries Limited	-	96,000	-	96,000	-	-	-	-	-
						24,036	1.84	2.54	
Engineering									
Mughal Iron & Steel Industries Limited	-	125,000	-	-	125,000	7,030	0.54	0.74	0.11
Personal Goods									
Kohinoor Textile Mills Limited	-	1,120,000	-	319,500	800,500	52,000	3.98	5.49	0.33
Nishat Mills Limited	69,000	397,600	-	320,000	146,600	16,746	1.28	1.77	0.04
						68,746	5.26	7.26	
Pharma and Bio Tech									
Abbott Laboratories (Pakistan) Limited	-	3,000	-	-	3,000	2,002	0.15	0.21	0.00
Ferozsons Laboratories Limited	-	51,750	-	31,500	20,250	12,951	0.99	1.37	0.07
						14,953	1.14	1.58	
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	300,000	535,000	-	835,000	-	-	-	-	-
Technology Hardware and Equipment									
Avanceon Limited	-	276,500	-	-	276,500	9,243	0.71	0.98	0.26
Electricity									
K-Electric Limited	450,000	280,000	-	475,000	255,000	2,147	0.16	0.23	0.00
The Hub Power Company Limited	230,000	938,500	-	446,000	722,500	67,604	5.17	7.14	0.06
Kot Addu Power Company Limited	226,000	990,000	-	583,000	633,000	54,463	4.16	5.75	0.07
Lalpir Power Limited	-	920,000	-	110,500	809,500	24,690	1.89	2.61	0.21
						148,904	11.38	15.73	
Commercial Banks									
Bank Islami Pakistan Limited	-	36,000	3,266	39,266	-	-	-	-	-
Meezan Bank Limited	-	406,000	-	239,500	166,500	6,827	0.52	0.72	0.02
						6,827	0.52	0.72	
						7,097,330	946.823	72.38	100.00

Carrying value as at June 30, 2015

803,246

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Investments include shares with market value of Rs 68.46 million (June 30, 2014: Nil) 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.

	Note	June 30, 2015	June 30, 2014
-----Rupees in '000-----			
5.2 Unrealised appreciation in the value of investments classified as financial assets 'at fair value through profit or loss' - net			
Market value of investments	5.1	946,823	156,906
Less: carrying value of investments		(803,246)	(155,911)
		<u>143,577</u>	<u>995</u>
6 DIVIDEND AND PROFIT RECEIVABLE			
Profit accrued on saving deposits		1,737	480
Dividend receivable		2,590	-
		<u>4,327</u>	<u>480</u>
7 ADVANCES AND DEPOSITS			
Security deposit with the National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with the Central Depository Company of Pakistan Limited		100	100
Advance against NCCPL exposure		-	100,000
		<u>2,600</u>	<u>102,600</u>
8 PRELIMINARY EXPENSES AND FLOATATION COSTS			
At the beginning of the year / period		2,306	-
Preliminary expenses and floatation costs incurred	8.1	-	2,316
Less: amortisation during the year / period		(1,151)	(10)
At the end of the year / period		<u>1,155</u>	<u>2,306</u>
8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of two years commencing from June 28, 2014 as per the requirements set out in the Trust Deed.			
	Note	June 30, 2015	June 30, 2014
-----Rupees in '000-----			
9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	2,167	122
Sindh Sales Tax on remuneration of the Management Company	9.2	377	23
Federal Excise Duty on remuneration of the Management Company	9.3	4,198	20
Sales load payable		2,899	19,182
Amounts paid by the Management Company on behalf of the Fund			
- Preliminary expenses and floatation costs		-	2,316
- Other payable		-	2,606
- Initial deposit on opening of bank accounts		-	20
- Listing fee		-	20
		<u>9,641</u>	<u>24,309</u>
9.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first two years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. Currently, the Management Company has charged its remuneration at the rate of 2% (2014 : 2%) per annum.			
9.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 15% (2014 : 16%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.			
9.3 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 provincial sales tax as explained in note 9.2, 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 - II

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 aggregating to Rs 4.198 million (including Rs 4.179 million for the current year). Had the provision not been made the net asset value per unit of the Fund as at June 30, 2015 would have been higher by Re 0.3819 (2014 : Re 0.0024) per unit.

	Note	June 30, 2015	June 30, 2014
		-----Rupees in '000-----	
10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE			
	10.1	<u>141</u>	<u>8</u>
10.1 The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed as per the tariff structure specified therein, based on the daily net assets of the Fund. The fee is paid on a monthly basis in arrears at the rate of 0.13% (2014 : 0.13%) of net assets. There is no change in the tariff structure in the current year.	Note	June 30, 2015	June 30, 2014
		-----Rupees in '000-----	
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>979</u>	<u>5</u>
Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Shariah Compliant Capital Protected Scheme is required to pay an annual fee to the SECP at an amount equal to 0.075% (2014 : 0.075%) of the average annual net assets of the Fund. There has been no change in this percentage in the current year.	Note	June 30, 2015	June 30, 2014
		-----Rupees in '000-----	
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		252	80
Provision for Workers' Welfare Fund	16	5,070	18
Brokerage		165	167
Settlement charges		60	20
Bank charges		66	15
Printing charges		100	50
Withholding tax and capital gains tax on dividend		1,674	-
Charity payable	12.1	980	-
Legal fee		125	-
Listing fee		40	-
		<u>8,532</u>	<u>350</u>
12.1 Total charity payable for the year amounted to Rs 0.652 million (2014: Nil). The dividend income is recorded net of charity payable.			
13 CONTINGENCIES AND COMMITMENTS			
There were no contingencies and commitments outstanding as at June 30, 2015 and June 30, 2014.			
14 NUMBER OF UNITS IN ISSUE	Note	June 30, 2015	June 30, 2014
		-----Number of units-----	
Total units in issue at the beginning of the year / period		7,914,029	-
Add: units issued during the year / period		5,444,217	7,915,476
Less: units redeemed during the year / period		(2,366,661)	(1,447)
Total units in issue at the end of the year / period		<u>10,991,585</u>	<u>7,914,029</u>

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
	-----Rupees in '000-----	
15 AUDITORS' REMUNERATION		
Annual audit fee and other certification	224	75
Half yearly review fee	73	-
Out of pocket expenses	48	5
	<u>345</u>	<u>80</u>

16 PROVISION FOR WORKERS' WELFARE FUND

16.1 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds 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 connection, 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 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 (including Rs 5.052 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2015 would have been higher by Re 0.4612 (2014 : Re 0.0022) per unit.

16.2 The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under the WWF Ordinance, 1971. The provision made till June 30, 2015 has not been reversed as the above petition is still pending in the SHC. This amendment is however applicable prospectively i.e. from tax year 2016.

17 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed at least ninety percent of the Fund's accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unit holders subsequent to the year ended June 30, 2015.

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

18 TRANSACTIONS WITH CONNECTED PERSONS

18.1 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, and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and the directors and the key management personnel of the Management Company. These also include any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

18.2 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.

18.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
	-----Rupees in '000-----	
18.5 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration for the year / period	26,117	122
Sindh Sales Tax on remuneration of the Management Company	4,544	23
Federal Excise Duty on remuneration of the Management Company	4,179	20
Sales load paid	19,834	-
Expenses paid by the Management Company on behalf of the Fund		
- Preliminary expenses and floatation costs	-	2,316
- Initial deposit on opening of bank accounts	-	20
- Listing fee	-	20
Expenses reimbursed to the Management Company		
- Preliminary expenses and floatation costs	2,316	-
- Initial deposit on opening of bank accounts	20	-
- Listing fee	20	-
- Other payable	2,606	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year / period	1,698	8
CDS charges	466	20
PTCL Employees General Provident Fund		
Issue of 4,072,975 units; (2014: Nil units)	408,691	-
Cash distribution for the year / period	8,691	-
The Trustees - The Mama Parsi Girls Secondary School		
Issue of Nil units (2014: 868,503 units)	-	90,504
Employees of the Management Company		
Issue of 18,030 units; (2014: 1,507 units)	1,803	151
Redemption of 18,006 units; (2014: Nil units)	1,788	-
Cash distribution for the year / period	3	-
Taurus Securities Limited		
Brokerage expense	201	23
	June 30,	June 30,
	2015	2014
	-----Rupees in '000-----	
18.6 Amounts outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	2,167	122
Sindh Sales Tax payable on remuneration of the Management Company	377	23
Federal Excise Duty payable on remuneration of the Management Company	4,198	20
Sales load payable	2,899	19,182
Amounts paid by the Management Company on behalf of the Fund		
- Other payable	-	2,606
- Preliminary expenses and floatation costs	-	2,316
- Initial deposit on opening of bank accounts	-	20
- Listing fee	-	20
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	141	8
CDS charges payable	60	20
Security deposit	100	100
PTCL Employees General Provident Fund		
Units held: 4,072,975 units (June 30, 2014: Nil units)	484,712	-
The Trustees - The Mama Parsi Girls Secondary School *		
Units held: N/A (2014: 868,503 units)	-	86,957

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

	June 30, 2015	June 30, 2014
	-----Rupees in '000-----	
Employees of the Management Company Units held: 1,531 units (2014: 1,507 Units)	182	151
Taurus Securities Limited Brokerage payable	-	23

* Current period figures have not been presented as the entity is not classified as a connected person of the Fund as at June 30, 2015.

19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2015-----			
S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	27
2	Mr. Sajjad Anwar*	CFA / MBA Finance	15
3	Mr. Muhammad Ali Bhabha	CFA / MBA / FRM	20
4	Mr. Syed Suleman Akhtar	CFA / MBA Finance	15
5	Mr. Asim Wahab Khan	CFA	9
6	Mr. Muhammad Imran	CFA / ACCA	9

*Mr. Sajjad Anwar is the manager of the Fund. He is also the Fund manager of NAFA Islamic Principal Protected Fund - I, NAFA Islamic Principal Preservation Fund and NAFA Islamic Stock Fund.

20 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION CHARGED

		2015
1	Taurus Securities Limited	8.91%
2	Elixir Securities Pakistan (Private) Limited	6.58%
3	Arif Habib Securities Limited	6.18%
4	J.S. Global Capital Limited	5.36%
5	Fortune Securities	5.00%
6	Topline Securities (Private) Limited	4.85%
7	Optimus Capital Management Limited	4.76%
8	BMA Capital Management Limited	4.71%
9	Habib Metropolitan Financial Services	4.14%
10	Aqeel Karim Dehdi Securities (Private) Limited	4.05%
		2014
1	Optimus Capital Management Limited	23.58%
2	KASB Securities Limited	20.98%
3	Topline Securities (Private) Limited	19.44%
4	Aqeel Karim Dehdi Securities (Private) Limited	17.27%
5	Taurus Securities Limited	14.05%
6	Elixir Securities Pakistan (Private) Limited	4.68%

21 PATTERN OF UNIT HOLDING

-----2015-----			
Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals*	466	472,685	36.14%
Banks / DFIs	1	4,827	0.37%
Retirement Funds**	23	686,403	52.47%
Others	15	144,160	11.02%
	<u>505</u>	<u>1,308,075</u>	<u>100.00%</u>

* This include investment of Rs 0.182 million of related parties / connected persons.

** This include investment of Rs 484.712 million of related parties / connected persons.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

-----2014-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals*	489	465,797	58.79%
Banks / DFIs	1	4,006	0.51%
Retirement funds	17	126,656	15.98%
Others	10	195,912	24.72%
	<u>517</u>	<u>792,371</u>	<u>100.00%</u>

* This include investment of Rs 0.151 million of related parties / connected persons.

22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 48th, 49th, 50th, 51st, 52nd and 53rd Board meetings were held on September 16, 2014, October 30, 2014, February 17, 2015, April 21, 2015, June 29, 2015 and June 30, 2015 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	3		50th, 52nd & 53rd
Mr. Aamir Sattar	6	5	3	51st
Mr. Abdul Hadi Palekar	6	5	1	49th
Mr. Wah Geok Sum*	3	-	1	48th, 49th & 50th
Mr. Koh Boon San	6	4	3	52nd & 53rd
Mr. Nigel Poh Cheng**	2	2	2	
Mr. Shehryar Faruque	6	5	-	52nd
Mr. Kamal Amir Chinoy	6	4	1	50th & 51st
Dr. Amjad Waheed	6	6	2	
			-	

* Mr. Wah Geok Sum retired from the Board with effect from February 17, 2015.

** Mr. Nigel Poh Cheng was appointed on the Board with effect from February 17, 2015.

23 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

Financial assets

Balances with banks	372,463	-	372,463
Investments	-	946,823	946,823
Dividend and profit receivable	4,327	-	4,327
Advances and deposits	2,600	-	2,600
	<u>379,390</u>	<u>946,823</u>	<u>1,326,213</u>

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

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

Particulars	At fair value through profit or loss	Other financial liabilities at amortised cost	Total
-------------	--------------------------------------	---	-------

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	9,641	9,641
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	141	141
	-	1,788	1,788
Accrued expenses and other liabilities	-	11,570	11,570
	<u>-</u>	<u>11,570</u>	<u>11,570</u>

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

-----As at June 30, 2014-----

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

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

Financial assets			
Balances with banks	710,807	-	710,807
Investments	-	156,906	156,906
Profit receivable	480	-	480
Advances and deposits	102,600	-	102,600
	<u>813,887</u>	<u>156,906</u>	<u>970,793</u>

-----As at June 30, 2014-----

Particulars	At fair value through profit or loss	Other financial liabilities at amortised cost	Total
-------------	--------------------------------------	---	-------

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

Financial liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	24,309	24,309
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	8	8
Payable against redemption of units	-	145	145
Payable against purchase of investments	-	155,911	155,911
Accrued expenses and other liabilities	-	332	332
	<u>-</u>	<u>180,705</u>	<u>180,705</u>

24 FINANCIAL RISK MANAGEMENT

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

24.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following the internal risk management policies and the investment guidelines approved by the investment committee and regulations laid down by the SECP.

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

24.1.1 Currency risk

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

24.1.2 Yield / profit rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not directly hold any variable rate instrument and is not exposed to cash flow profit rate risk except for balances in profit and loss accounts with certain banks the profit rate of which ranges from 6.0% to 10.25%.

b) Sensitivity analysis for fixed rate instruments

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

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

-----June 30, 2015-----						
Particulars	Yield/ profit rate	Total	---Exposed to yield / profit rate risk---			Not exposed to yield / profit rate risk
			Upto three months	More than three months and upto one year	More than one year	
-----%-----						
------(Rupees in '000)-----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	6.0 - 10.25	372,463	354,706	-	-	17,757
Investments		946,823	-	-	-	946,823
Profit receivable		4,327	-	-	-	4,327
Advances and deposits		2,600	-	-	-	2,600
		1,326,213	354,706	-	-	971,507
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		9,641	-	-	-	9,641
Payable to the Central Depository Company of Pakistan Limited - Trustee		141	-	-	-	141
Accrued expenses and other liabilities		1,788	-	-	-	1,788
		11,570	-	-	-	11,570
On-balance sheet gap (a)		1,314,643	354,706	-	-	959,937
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap - (a + b)		1,314,643	354,706	-	-	959,937
Cumulative profit rate sensitivity gap			354,706	354,706	354,706	

-----June 30, 2014-----						
Particulars	Yield/ profit rate	Total	---Exposed to yield / profit rate risk---			Not exposed to yield / profit rate risk
			Upto three months	More than three months and upto one year	More than one year	
-----%-----						
------(Rupees in '000)-----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	6.5 - 8.7	710,807	493,403	-	-	217,404
Investments		156,906	-	-	-	156,906
Profit receivable		480	-	-	-	480
Advances and deposits		102,600	-	-	-	102,600
		970,793	493,403	-	-	477,390
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		24,309	-	-	-	24,309
Payable to the Central Depository Company of Pakistan Limited - Trustee		8	-	-	-	8
Payable on redemption of units		145	-	-	-	145
Payable against purchase of investments		155,911	-	-	-	155,911
Accrued expenses and other liabilities		332	-	-	-	332
		180,705	-	-	-	180,705
On-balance sheet gap (a)		790,088	493,403	-	-	296,685
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a + b)		790,088	493,403	-	-	296,685
Cumulative profit rate sensitivity gap			493,403	493,403	493,403	

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

24.1.3 Price risk

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

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

In case of 5% increase / decrease in KMI 30 index on June 30, 2015, net income for the year would increase / decrease by Rs 10.940 million and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

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

24.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfil their obligations. The Fund is exposed to credit risk with respect to its balances with banks, dividend and profit receivable, and advances and deposits. Credit risk also arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The settlement risk of default on equity securities is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instrument guidelines approved by the Investment Committee. The Fund's maximum exposure to credit risk as of June 30, 2015 amounts to Rs 1,326.213 million (2014 : Rs 970.793 million).

Credit quality of financial assets

The analysis below summarises the credit quality of the Fund's financial assets:

Balances with banks by rating category

Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
Habib Bank Limited *	JCR-VIS	AAA	-
Sindh Bank Limited *	JCR-VIS	AA	-
United Bank Limited	JCR-VIS	AA+	95.68%
Meezan Bank Limited	JCR-VIS	AA	0.01%
Bank Alfalah Limited	PACRA	AA	4.31%

* Nil value due to rounding off difference.

24.2.1 Concentration of credit risk

The concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund mainly deals in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial instruments comprise of bank balances.

The Fund's major asset balance (95.68%) is held with United Bank Limited. The management believes that this is a credit-worthy counterparty.

24.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to the daily settlement of equity securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised. The Fund's listed securities are considered readily realisable as they are liquid shares listed on the Stock Exchanges.

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In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

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

-----June 30, 2015-----

Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-------------	-------	-------------------	-------------------------------------	---------------

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	9,641	5,443	-	4,198
Payable to the Central Depository Company of Pakistan Limited - Trustee	141	141	-	-
Accrued expenses and other liabilities	1,788	1,788	-	-
	<u>11,570</u>	<u>7,372</u>	<u>-</u>	<u>4,198</u>

-----June 30, 2014-----

Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-------------	-------	-------------------	-------------------------------------	---------------

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	24,309	19,347	-	4,962
Payable to the Central Depository Company of Pakistan Limited - Trustee	8	8	-	-
Payable against redemption of units	145	145	-	-
Payable against purchase of investments	155,911	155,911	-	-
Accrued expenses and other liabilities	332	332	-	-
	<u>180,705</u>	<u>175,743</u>	<u>-</u>	<u>4,962</u>

25 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7, 'Financial Instruments : Disclosure' - 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

Investments carried at fair value are categorised as follows:

	-----As at June 30, 2015-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Investment in listed equity securities - at fair value through profit or loss	946,823	-	-	946,823
	-----As at June 30, 2014-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Investment in listed equity securities - at fair value through profit or loss	156,906	-	-	156,906

27 NON-ADJUSTING EVENT AFTER JUNE 30, 2015

The Board of Directors of the Management Company in their meeting held on July 14, 2015 approved a final cash distribution of Rs 2.402 million (Re 0.2192 per unit) for the year ended June 30, 2015. The financial statements of the Fund for the year ended June 30, 2015 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2016.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 30, 2015.

29 GENERAL

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

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

PERFORMANCE TABLE








Particulars	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
Net assets at the year / period ended (Rs '000)	1,308,075	792,371
Net income for the year / period ended (Rs '000)	247,532	876
Net Asset Value per unit at the year / period ended (Rs)	119.0069	100.1223
Offer Price per unit at year end	N/A	104.164
Redemption Price per unit at year end	119.0069	100.1223
Highest offer price per unit (Rs)	102.3029	104.164
Lowest offer price per unit (Rs)	101.9044	104.0630
Highest redemption price per unit (Rs)	120.8775	100.1223
Lowest redemption price per unit (Rs)	95.6336	100.0252
Fiscal Year Opening Ex Nav	98.1398	-
Total return of the fund	21.05%	0.12%
Capital growth	18.66%	0.12%
Income distribution % of Ex NAV	2.44%	0.00%
Income distribution % of Par Value	2.39%	0.00%
Distribution		
Interim distribution per unit	2.1727	0.0000
Final distribution per unit	0.2192	-
Distribution Dates		
Interim	30-Jun-15	-
Final	16-Jul-15	-
Average annual return of the fund (launch date June 28, 2014)		
(Since inception to June 30, 2015)	21%	-
(Since inception to June 30, 2014)		0.12%
Portfolio Composition (Please see Fund Manager Report)		
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up		



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