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Rated by PACRA



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

## NAFA ISLAMIC STOCK FUND

# 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 STOCK FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

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

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

### Bankers to the Fund

Summit Bank Limited  
Bank Alfalah Limited  
Habib Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Silk Bank Limited  
United Bank Limited  
Burj Bank Limited  
BankIslami Pakistan Limited  
Meezan Bank Limited  
Sindh Bank Limited

# NAFA ISLAMIC STOCK FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

7-Noon Avenue, Canal Bank,  
Muslim Town, Lahore.  
UAN: 042-111-111-632  
Fax: 92-42-35861095

## **Islamabad Office:**

Plot No. 395, 396  
Industrial Area, I-9/3 Islamabad.  
UAN: 051-111-111-632  
Phone: 051-2514987  
Fax: 051-4859031

## **Peshawar Office:**

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

# NAFA ISLAMIC STOCK FUND

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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



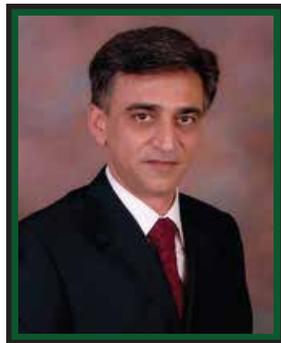
Mr. Zeeshan  
Chief - Strategy &  
Business Development



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 STOCK FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the First Annual Report of **NAFA Islamic Stock Fund** for the ended from January 7, 2015 to June 30, 2015.

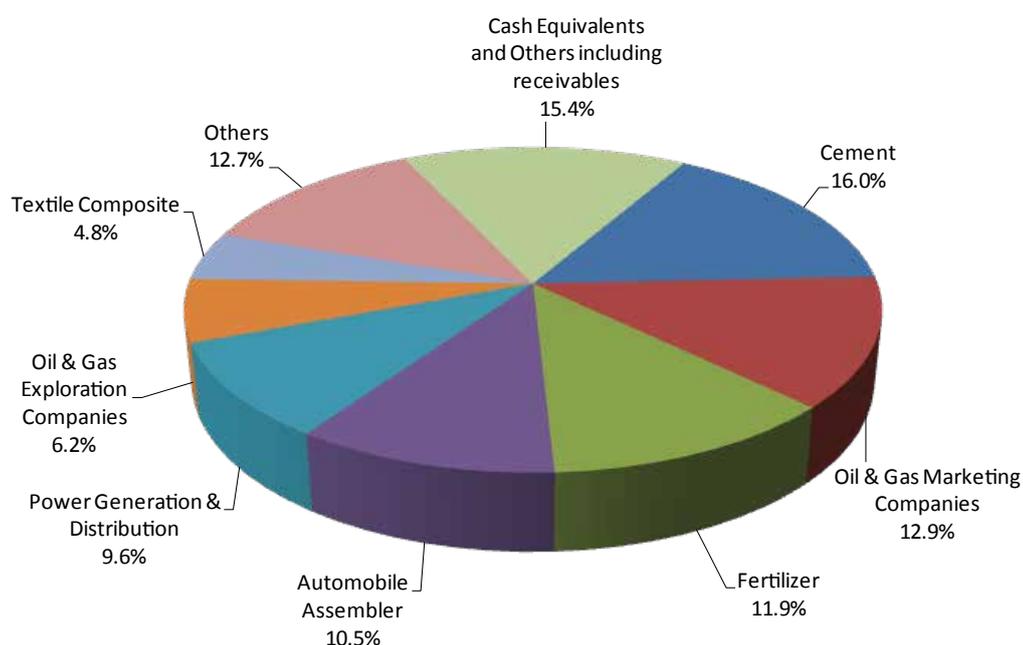
NAFA launched its first open-end Islamic equity scheme namely NAFA Islamic Stock Fund (NISF) on January 09, 2015. The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved Shariah compliant equities.

### 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.

Since the inception of the Fund, the return on NAFA Islamic Stock Fund was 11.39% as against the benchmark KMI-30 index return of 9.20%. Thus, the Fund outperformed by 2.19% during the period. The Fund outperformed as it was over-weight in key stocks in Cements and Auto Assembler sector that outperformed the market and under-weight in key stocks in Oil and Gas sector that underperformed the market, thereby contributing to the out-performance. This outperformance is net of management fee and all other expenses.

The size of NAFA Islamic Stock Fund as on June 30, 2015 is Rs.1,251 million. The Fund has earned a total income of Rs.140.63 million during the year. After deducting total expenses of Rs.22.86 million, the net income is Rs.117.77 million. During the period, the unit price of NAFA Islamic Stock Fund has increased from Rs.9.7766 (Ex-Div) on January 09, 2015 to Rs.10.8898 (Ex-Div) on June 30, 2015. The resultant per unit gain is Rs.1.1132 (11.39%). The asset allocation of NAFA Islamic Stock Fund as on June 30, 2015 is as follows:



# NAFA ISLAMIC STOCK FUND

## Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 2.53% 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 ended 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 three meetings during the period. The attendance of all directors is disclosed in the note 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 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 19 to these financial statements.

# NAFA ISLAMIC STOCK FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 30, 2015  
Place: Karachi.

# NAFA ISLAMIC STOCK FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC STOCK FUND

### 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 Stock Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from January 07, 2015 to 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 STOCK FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM JANUARY 07, 2015 TO 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 Stock Fund** (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, 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 STOCK FUND

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 19 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 STOCK FUND

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 STOCK FUND

## FUND MANAGER REPORT

### NAFA Islamic Stock Fund

Shariah Compliant - Open-end – Equity Fund

### Investment Objective of the Fund

The objective of NAFA Islamic Stock Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in Shariah Compliant listed companies in Pakistan. The risk profile of the Fund is moderate to high.

### Benchmark

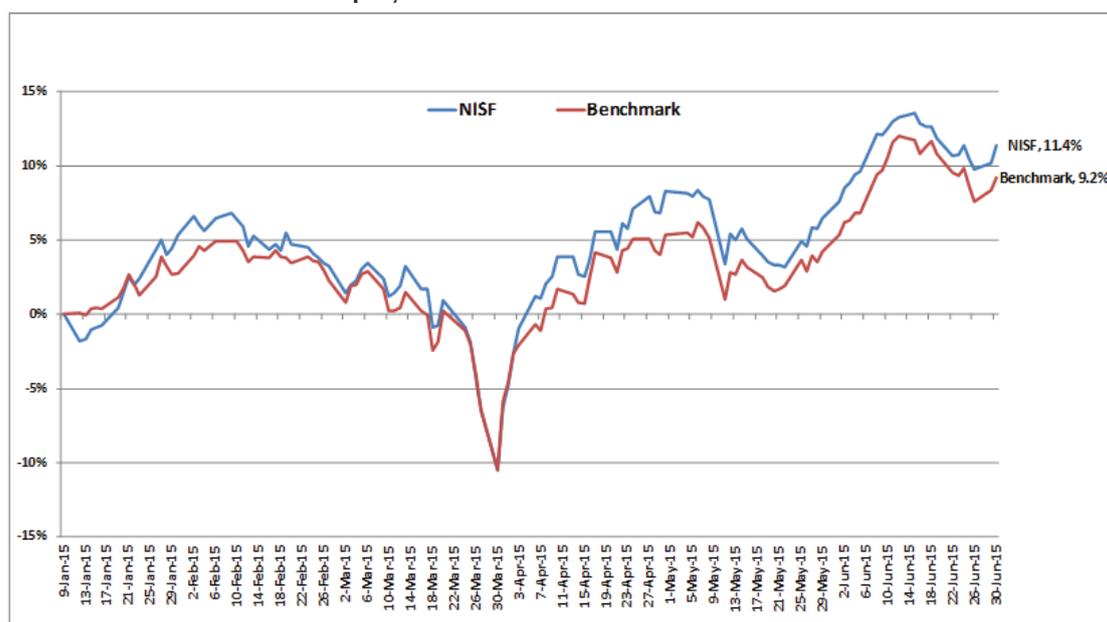
The Benchmark of the Fund is KMI-30 Index.

### Fund performance review

This is the first annual report of the Fund. Since inception of the Fund, the unit price of NAFA Islamic Stock Fund has increased from Rs.9.7766 (Ex-Div) on January 09, 2015 to Rs. 10.8898 (Ex-Div) on June 30, 2015, thus showing an increase of 11.39%. The Benchmark (KMI-30 index) return during the same period was 9.20%. Thus, the Fund has outperformed its Benchmark by 2.19% during the period under review. This performance is net of management fee and all other expenses. The size of NAFA Islamic Stock Fund is Rs.1,256 million as of June 30, 2015.

NISF outperformed during the year as its key holdings in the Cement, Auto Assembler, Chemicals and Textile Composite performed better than the market. Moreover, contribution to the Fund's performance also came from its under-weight position in the selected stocks of Oil & Gas Exploration companies and Oil & Gas Marketing companies sectors that lagged the market. The chart below shows the performance of NISF against the benchmark for the period ended review.

NISF-Equity Performance vs. KMI-30 Since Launch



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.

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. NAFA Islamic Stock Fund does not have any soft commission arrangement with any broker in the industry.

# NAFA ISLAMIC STOCK FUND

## Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-15
Equities / Stocks	84.84%
Cash Equivalents	15.02%
Other Net (Liabilities) / Assets	0.14%
<b>Total</b>	<b>100.00%</b>

## Distribution for the Financial Year 2015

Interim / Final	Dividend as a % of Par Value (Rs.10)	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Interim	1.160%	11.0197	10.9037
Final	1.369%	11.0214	10.8845

## Pattern of Unit Holders for NAFA ISLAMIC STOCK FUND as on June 30, 2015

Size of Unit Holding (Units)		# of Unit Holders
1	1,000	21
1,001	5,000	72
5,001	10,000	60
10,001	50,000	185
50,001	100,000	58
100,001	500,000	75
500,001	1,000,000	8
1,000,001	5,000,000	11
5,000,001	10,000,000	2
10,000,001	100,000,000	1

**Total:** 493

## 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 2.403 million. If the same were not made, the NAV per unit/last one year return of scheme would have been higher by Rs. 0.0211/0.21%. For details, investors are advised to read the Note 17 of the Financial Statements of the Scheme for the year ended June 30, 2015.

# NAFA ISLAMIC STOCK FUND

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

**NAFA Islamic Stock Fund** (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 period from January 07, 2015 to June 30, 2015. This has been duly confirmed by the Shariah Advisor of the Fund.

Dated : September 30, 2015  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC STOCK FUND

## Report of the *Shariah* Advisor NAFA Islamic Stock Fund

Sep 01, 2015/Ziqad 16, 1436

**Alhamdulillah**, the period from January 9, 2015 to June 30, 2015 was the first half-year of operations of NAFA Islamic Stock Fund (NISF). This report is being issued in accordance with clause 3.7.1 of the offering document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

- i. We have reviewed and approved the modes of equity investments of NISF in light of Shari'ah requirements. Following is a list of top investments of NISF as on June 30, 2015 and their evaluation according to the screening criteria established by us. (December 31, 2014 accounts of the Investee companies have been used)2014 accounts of the Investee companies have been used)

Company Name	(i)	(ii) ***	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	Share Price (B)
Engro Corporation Ltd	Fertilizer	31.09	13.35	1.45	71	(-165.63)	221.51
Lucky Cement Ltd	Cement	13.24	0	0.85	82	(55.52)	500.28
Indus Motor Company Ltd	Automobile Assembler	0.00	12.54	2.09	33.00	82.63	880.32
Hub Power Co Ltd	Power Generation and Distribution	20.94	0.04	0.06	30	5.42	78.36
Pakistan State Oil Co Ltd****	Oil and Gas Marketing Companies	34.69	13.01	0.87	21.30	18.90	357.91
DG Khan Cement Co Ltd****	Cement	9.73	12	5.13	85	(8.5)	110.53
Kohinoor Textile Mills Ltd	Textile	31.03	2.74	0.13	86.32	(61.57)	35.05

# NAFA ISLAMIC STOCK FUND

	(i)	(ii) ***	(iii)	(iv)	(v)	(vi)	
Kot Addu Power Co Ltd****	Power Generation and Distribution	24.44	0.00	5.37	20.96	73.18	78.94
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0.00	5.39	1.99	70.32	30.419	379.36
Honda Atlas Cars	Automobile Assembler	2.51	0.00	0.40	80.00	(45.76)	198.18

\* ii, iii, iv & v are in percentages while vi & vii are in Rs.

\*\* These ratios are for the calculation of non-Shari'ah Compliant Element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

\*\*\* All interest based debts.

\*\*\*\* On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and not meeting the minimum criteria of 'Illiquid Assets to Total Assets Ratio'.

- ii. On the basis of information provided by the management, the provisions of the Scheme and investments in equities made on account of NISF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NISF 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 NISF 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.

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

During the year a provision of Rupees 300,548/- was created and an amount of Rupees 150,688/- (45,209+105479) 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 105,479/- 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**  
*Shari'ah Technical Services and Support Provider*

\_\_\_\_\_  
**Bilal Ahmed Qazi**  
*Shari'ah Advisor*

# NAFA ISLAMIC STOCK FUND

## REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH 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 Stock Fund** (the Fund) for the period from January 07, 2015 to 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 period from January 07, 2015 to 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 STOCK FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Islamic Stock Fund** (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 period from January 07, 2015 to June 30, 2015 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 period from January 07, 2015 to June 30, 2015 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: **Salman Hussain**  
Dated: September 30, 2015  
Karachi

# NAFA ISLAMIC STOCK FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2015

	Note	June 30, 2015 Rupees in '000
<b>ASSETS</b>		
Balances with banks	4	133,821
Investments	5	1,061,806
Receivable against issue of units	6	97,656
Dividend and profit receivable	7	3,848
Advances and deposits	8	2,633
<b>Total assets</b>		<b>1,299,764</b>
<b>LIABILITIES</b>		
Payable to NBP Fullerton Asset Management Limited - Management Company	9	10,900
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	181
Payable to the Securities and Exchange Commission of Pakistan	11	398
Payable against redemption of units	12	28,454
Accrued expenses and other liabilities	13	8,326
<b>Total liabilities</b>		<b>48,259</b>
<b>NET ASSETS</b>		<b>1,251,505</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>1,251,505</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	
		<b>Number of units</b>
<b>NUMBER OF UNITS IN ISSUE</b>	15	<b>113,552,481</b>
		<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>	3.11	<b>11.0214</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC STOCK FUND

## INCOME STATEMENT FOR THE PERIOD FROM JANUARY 07, 2015 TO JUNE 30, 2015

	Note	For the period from January 07, 2015 to June 30, 2015 Rupees in '000
<b>INCOME</b>		
Capital gain on sale of investments - net		13,074
Profit on bank deposits		2,171
Dividend income		17,086
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.4	84,170
<b>Total income</b>		<b>116,501</b>
<b>EXPENSES</b>		
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	12,560
Sindh Sales Tax on remuneration of the Management Company	9.2	2,185
Federal Excise Duty on remuneration of the Management Company	9.3	2,010
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	820
Annual fee of the Securities and Exchange Commission of Pakistan	11.1	398
Auditors' remuneration	16	278
Annual listing fee		20
Printing charges		97
Securities transaction cost		1,559
Settlement and bank charges		405
Legal and professional charges		125
<b>Total expenses</b>		<b>20,457</b>
<b>Net income from operating activities</b>		<b>96,044</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		24,125
Provision for Workers' Welfare Fund	17	(2,403)
<b>Net income for the period before taxation</b>		<b>117,766</b>
Taxation	18	-
<b>Net income for the period after taxation</b>		<b>117,766</b>
<b>Earnings per unit</b>	3.12	

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC STOCK FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 07, 2015 TO JUNE 30, 2015

	For the period from January 07, 2015 to June 30, 2015 Rupees in '000
Net income for the period after taxation	117,766
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<u>117,766</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC STOCK FUND

## DISTRIBUTION STATEMENT FOR THE PERIOD FROM JANUARY 07, 2015 TO JUNE 30, 2015

	For the period from January 07, 2015 to June 30, 2015 Rupees in '000
Undistributed income at the beginning of the period	-
Net income for the period after taxation	117,766
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	9,382
<b>Distribution made during the period</b>	
- Re 0.1160 per unit declared on June 30, 2015	
- Cash distribution	(11,167)
Undistributed income carried forward	<u>115,981</u>
<b>Undistributed income at the end of the period comprising of:</b>	
Realised income	31,811
Unrealised income	84,170
	<u>115,981</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC STOCK FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE PERIOD FROM JANUARY 07, 2015 TO JUNE 30, 2015

	For the period from January 07, 2015 to June 30, 2015 Rupees in '000
Net assets at the beginning of the period	-
Issue of 220,182,818 units	2,307,318
Redemption of 106,630,337 units	(1,138,287)
	1,169,031
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	(24,125)
- transferred to distribution statement	(9,382)
	(33,507)
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	84,170
Capital gain on sale of investments - net	13,074
Other net income for the period	20,522
	117,766
<b>Distribution made during the period</b>	
- Re 0.1160 per unit declared on June 30, 2015	
- Cash distribution	(11,167)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to distribution statement	9,382
<b>Net assets at the end of the period</b>	1,251,505

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC STOCK FUND

## CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 07, 2015 TO JUNE 30, 2015

For the period  
from January 07,  
2015 to June  
30, 2015  
Rupees in '000

### CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation	117,766
<b>Adjustments for:</b>	
Profit on balances with banks	(2,171)
Dividend income	(17,086)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(84,170)
Element of (income) / loss and capital (gain) / losses included in prices of units issued less those in units redeemed	(24,125)
Provision for Workers' Welfare Fund	2,403
Federal Excise Duty on the remuneration of the Management Company	2,010
	(123,139)
<b>Increase in assets</b>	
Investments	(977,636)
Advances and deposits	(2,633)
	(980,269)
<b>Increase in liabilities</b>	
Payable to NBP Fullerton Asset Management Limited - Management Company	8,890
Payable to the Central Depository Company of Pakistan Limited -Trustee	181
Payable to the Securities and Exchange Commission of Pakistan	398
Accrued expenses and other liabilities	5,231
	14,700
Profit received on balances with banks	1,710
Dividend received	13,699
<b>Net cash used in operating activities</b>	(955,533)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Receipts from issue of units	2,199,187
Payments against redemption of units	(1,109,833)
<b>Net cash generated from financing activities</b>	1,089,354
<b>Net increase in cash and cash equivalents during the period</b>	133,821
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	133,821

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC STOCK FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 07, 2015 TO JUNE 30, 2015

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Stock Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on November 18, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on November 21, 2014 in accordance with 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 registered 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 commenced its operations from January 9, 2015. It is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an Open-End "Shariah Compliant Equity Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The core objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of shariah compliant listed equities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2+ to the Management Company. 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 the Trustee of the Fund.

The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in offering document of the Fund.

Comparative information is not available as the Fund was launched in the current period.

### 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the 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 current period:

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, Contingent liabilities and Contingent assets". 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 STOCK FUND

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 do 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 are 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. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the year of revision and future periods if the revision affects both current and future periods.

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

## 2.5 Accounting Convention

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

## 2.6 Functional and Presentation Currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value 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.

# NAFA ISLAMIC STOCK FUND

## a) Financial assets 'at fair value through profit or loss'

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

## b) Loans and receivables

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

## c) Available for sale

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

### 3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset. Regular purchases and sales of financial assets require delivery of securities within the time frame established by the stock exchange regulations.

### 3.2.3 Initial recognition and measurement

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

### 3.2.4 Subsequent measurement

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

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

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 Unit holder's Fund is shown as part of net income for the period.

#### - Basis of valuation of equity securities

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

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account.

#### 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 are impaired. The carrying value 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 value 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 STOCK FUND

For financial assets classified as "loans and receivables, 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 where 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 Taxation

### Current

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. The Fund intends to distribute such income by the year end in order to avail this tax exemption. Accordingly, no provision is made for current and deferred taxation in these financial statements.

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

### Deferred

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

## 3.7 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.

# NAFA ISLAMIC STOCK FUND

## 3.8 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.

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 lower by Rs 23.643 million and amount of element of income taken to distribution statement would have been higher by Rs 24.125 million. Further, the Net Asset Value (NAV) per unit of the Fund as at June 30, 2015 would have been higher by Re 0.0042.

## 3.9 Proposed distributions

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

## 3.10 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 on equity securities is recognised when the right to receive the dividend is established.
- Unrealised appreciation / (diminution) in the value of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

## 3.11 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 issue as at the period end.

## 3.12 Earnings per unit

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

	Note	June 30, 2015 Rupees in '000
<b>4 BALANCES WITH BANKS</b>		
Profit and loss sharing accounts	4.1	120,875
Current accounts	4.2	<u>12,946</u>
		<u>133,821</u>
<b>4.1</b> These carry profits at the rates ranging from 4.5% to 10.25% per annum.		
<b>4.2</b> These include deposits of Rs 1.480 million and Rs 0.642 million, maintained with the National Bank of Pakistan and Summit Bank Limited (being the related parties of the Fund) respectively.		
<b>5 INVESTMENTS</b>		
Financial assets 'at fair value through profit or loss'	5.1	1,060,929
- Listed equity securities		
Available for sale	5.3	<u>877</u>
- Preference shares		<u>1,061,806</u>

# NAFA ISLAMIC STOCK FUND

## 5.1 Listed equity securities

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

Name of the investee company	Number of shares				Market value as at June 30, 2015	Market value as a percentage of		
	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2015		Net assets	Total investments	Paid up capital of the investee company
-----Number of shares -----					(Rupees in '000)	----- % -----		
<b>OIL &amp; GAS</b>								
Attock Refinery Limited	69,400	-	-	69,400	15,854	1.27	1.49	0.08
National Refinery Limited	59,700	-	-	59,700	13,854	1.11	1.30	0.07
Attock Petroleum Limited	73,100	-	5,500	67,600	38,344	3.06	3.61	0.08
Hascol Petroleum Limited	340,500	19,140	211,000	148,640	17,021	1.36	1.60	0.15
Pakistan Oilfields Limited	133,200	-	15,000	118,200	47,732	3.81	4.50	0.05
Pakistan Petroleum Limited	167,400	-	-	167,400	27,497	2.20	2.59	0.01
Pakistan State Oil Company Limited	163,300	-	12,700	150,600	58,100	4.64	5.47	0.06
Shell Pakistan Limited	139,200	-	-	139,200	35,212	2.81	3.32	0.13
Mari Petroleum Company Limited	10,000	-	6,000	4,000	1,874	0.15	0.18	~*
					255,488	20.41	24.06	
<b>CHEMICALS</b>								
Ittehad Chemicals Limited	408,000	-	-	408,000	19,090	1.53	1.80	0.82
<b>FERTILIZERS</b>								
Engro Fertilizers Limited	417,500	-	126,000	291,500	25,853	2.07	2.43	0.02
Engro Corporation Limited	389,600	-	47,100	342,500	101,654	8.12	9.57	0.07
Fatima Fertilizer Company Limited	348,000	-	-	348,000	13,596	1.09	1.28	0.02
Fauji Fertilizer Bin Qasim Limited	105,000	-	105,000	-	-	-	-	-
Dawood Hercules Corporation Limited	71,500	-	-	71,500	8,349	0.67	0.79	0.01
Fauji Fertilizer Company Limited	82,500	-	82,500	-	-	-	-	-
					149,452	11.95	14.07	
<b>CONSTRUCTION AND MATERIALS</b>								
D.G. Khan Cement Company Limited	906,500	-	529,000	377,500	53,896	4.31	5.08	0.09
Kohat Cement Company Limited	111,400	-	53,100	58,300	11,651	0.93	1.10	0.04
Lucky Cement Limited	156,500	-	13,900	142,600	74,098	5.92	6.98	0.04
Maple Leaf Cement Factory Limited	492,500	-	117,000	375,500	29,499	2.36	2.78	0.07
Pioneer Cement Limited	327,000	-	280,000	47,000	4,009	0.32	0.38	0.02
Attock Cement Pakistan Limited	63,900	-	-	63,900	12,179	0.97	1.15	0.06
PECTO Cement Limited	225,000	-	-	225,000	15,644	1.25	1.47	0.45
					200,976	16.06	18.94	
<b>GENERAL INDUSTRIES</b>								
Thal Limited (Face Value of Rs 5 each)	19,400	-	-	19,400	5,537	0.44	0.52	0.02
<b>AUTOMOBILES AND PARTS</b>								
Baluchistan Wheels Limited	9,000	-	-	9,000	523	0.04	0.05	0.07
Indus Motor Company Limited	49,150	-	-	49,150	61,388	4.91	5.78	0.06
Pak Suzuki Motor Company Limited	70,000	-	29,700	40,300	17,567	1.40	1.65	0.05
Gandhara Nissan Limited	242,000	-	163,500	78,500	7,763	0.62	0.73	0.17
Sazgar Engineering Works Limited	83,000	-	-	83,000	3,196	0.26	0.30	0.46
Honda Atlas Cars (Pakistan) Limited	278,500	-	89,600	188,900	41,309	3.30	3.89	0.13
					131,746	10.53	12.40	
<b>GLASS AND CERAMICS</b>								
Tariq Glass Limited	157,500	-	-	157,500	9,212	0.74	0.87	0.21
<b>CABLE AND ELECTRIC GOODS</b>								
Pak Elektron Limited	605,000	-	260,000	345,000	28,545	2.28	2.69	0.09
<b>Balance carried forward</b>				<b>4,646,790</b>	<b>800,046</b>	<b>63.93</b>	<b>75.35</b>	

\*Nil value due to rounding off

# NAFA ISLAMIC STOCK FUND

Name of the investee company	Number of shares				Market value as at June 30, 2015 (Rupees in '000)	Market value as a percentage of		
	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2015		Net assets	Total investments	Paid up capital of the investee company
	-----Number of shares -----					----- % -----		
Balance brought forward				4,646,790	800,046	63.93	75.35	
<b>ENGINEERING</b>								
Mughal Iron and Steel Industries Limited	448,500	-	-	448,500	25,224	2.02	2.38	0.41
<b>PERSONAL GOODS</b>								
Kohinoor Textile Mills Limited	916,000	-	100,000	816,000	53,007	4.24	4.99	0.33
Nishat Mills Limited	122,300	-	62,300	60,000	6,854	0.55	0.65	0.02
					59,861	4.79	5.64	
<b>PHARMA AND BIOTECH</b>								
Ferozsons Laboratories Limited	15,500	-	-	15,500	9,913	0.79	0.93	0.05
Abbott Lab (Pakistan) Limited	6,000	-	-	6,000	4,004	0.32	0.38	0.01
The Searle Company Limited	37,000	-	-	37,000	11,866	0.95	1.12	0.04
					25,783	2.06	2.43	
<b>TECHNOLOGY AND COMMUNICATION</b>								
Avanceon Limited	386,000	-	-	386,000	12,905	1.03	1.22	0.37
<b>ELECTRICITY</b>								
The Hub Power Company Limited	787,500	-	143,000	644,500	60,306	4.82	5.68	0.06
Kot Addu Power Company Limited	995,000	-	439,000	556,000	47,838	3.82	4.51	0.06
K-Electric Limited (Face value of Rs 3.5 each)	500,000	-	-	500,000	4,210	0.34	0.40	0.00
Lalpir Power Limited	380,500	-	99,000	281,500	8,586	0.69	0.81	0.07
Pakgen Power Limited	480,000	-	480,000	-	-	-	-	-
					120,940	9.67	11.40	
<b>COMMERCIAL BANKS</b>								
Meezan Bank Limited	98,500	-	29,000	69,500	2,850	0.23	0.27	0.01
<b>MULTIUTILITIES (GAS AND WATER)</b>								
Sui Northern Gas Pipeline Limited	714,500	-	214,500	500,000	13,320	1.06	1.25	0.08
<b>INDUSTRIAL METALS AND MINING</b>								
Crescent Steel & Allied Products Limited	227,500	-	227,500	-	-	-	-	-
<b>Total as at June 30, 2015</b>				<b>8,967,290</b>	<b>1,060,929</b>	<b>84.79</b>	<b>99.93</b>	
<b>Carrying value as at June 30, 2015</b>					<b>976,759</b>			

5.2 Investments include shares with market value of Rs 72.84 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the SECP.

5.3 In pursuant to the recommendations of Board of Directors of Mari Petroleum Company Limited at its meeting held on April 17, 2015 and resolution passed by the shareholders at the Extraordinary General Meeting held on May 21, 2015, the Fund has been allotted non-voting, non-cumulative, unlisted redeemable Preference Shares of Rs 10/- each in the proportion of 877.09761 Preference Shares for every 100 Ordinary shares held.

	Note	June 30, 2015 Rupees in '000
5.4 Unrealised appreciation on re-measurement of investments classified as 'financial assets' at fair value through profit or loss - net		
Market value of investments	5.1	1,060,929
Less: Carrying value of investments		(976,759)
		<u>84,170</u>

## 6 RECEIVABLE AGAINST TRANSFER OF UNITS

This represents net receivable against units issued to the unit holders based on their request for transfer of units from other collective investment schemes managed by the Management Company of the Funds.

# NAFA ISLAMIC STOCK FUND

	Note	June 30, 2015 Rupees in '000
<b>7 DIVIDEND AND PROFIT RECEIVABLE</b>		
Accrued profit on profit and loss sharing accounts		461
Dividend receivable		3,387
		<u>3,848</u>
<b>8 ADVANCES AND DEPOSITS</b>		
Security deposit with :		
- National Clearing Company of Pakistan Limited		2,530
- Central Depository Company of Pakistan Limited		103
		<u>2,633</u>
<b>9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		
Remuneration of the Management Company	9.1	2,977
Sindh Sales Tax on the remuneration of the Management Company	9.2	518
Federal Excise Duty on the remuneration of the Management Company	9.3	2,010
Front end load payable		2,698
Other payable		2,697
		<u>10,900</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 two percent of such assets of the Fund. Currently, the Management Company has charged its remuneration at the rate of 3% per annum.

9.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 15% 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 in the spirit of the law.

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

Pending decision of the SHC, the Fund is not making payments for FED. However, the Fund, as a matter of abundant caution, has made full provision in respect of FED amounting to Rs 2.010 million. 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 0.0177 per unit.

	Note	June 30, 2015 Rupees in '000
<b>10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		

Trustee fee	10.1	<u>181</u>
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10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff structure specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2015 is as follows:

Net Assets	Tariff per annum
Upto Rs 1,000 million	*Rs 0.7 million or 0.20% p.a of Net Assets, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a. of Net Assets, exceeding Rs 1,000 million

\* There will be no minimum fee for the initial one year from the date of launching of the Fund.

# NAFA ISLAMIC STOCK FUND

	Note	June 30, 2015 Rupees in '000
<b>11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual fee	11.1	<u>398</u>
<b>11.1</b>	Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Shariah Compliant equity scheme is required to pay an annual fee to SECP at an amount equal to 0.095 percent of the average annual net assets of the Fund.	
<b>12 PAYABLE AGAINST REDEMPTION OF UNITS</b>		
This includes net payable against units redeemed to the unit holders based on their request for transfer of units from the Fund to other collective investment schemes managed by the Management Company of the Fund.		
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	Note	June 30, 2015 Rupees in '000
Auditors' remuneration		
Provision for Workers' Welfare Fund	17	278
Payable against purchase of investment		2,403
Brokerage payable		2,263
Settlement charges		203
Bank charges		64
Withholding tax and capital gain tax on dividend		33
Haram portion of dividend	13.1	2,472
Other payables		388
		<u>222</u>
		<u>8,326</u>
<b>13.1</b>	Total haram portion of dividend for the year amounted to Rs 0.388 million. The dividend income is recorded net of haram portion.	
<b>14 CONTINGENCIES AND COMMITMENTS</b>		
There were no contingencies and commitments outstanding as at June 30, 2015.		
<b>15 NUMBER OF UNITS IN ISSUE</b>		June 30, 2015 Rupees in '000
Total units in issue at the beginning of the period		-
Add: units issued during the period		220,182,818
Less: units redeemed during the period		<u>106,630,337</u>
Total units in issue as at June 30, 2015		<u>113,552,481</u>
<b>16 AUDITORS' REMUNERATION</b>		
Annual audit fee and other certification		252
Out of pocket expenses		<u>26</u>
		<u>278</u>
<b>17 PROVISION FOR WORKERS' WELFARE FUND</b>		
<b>17.1</b>	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 Workers' Welfare Fund (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.	

# NAFA ISLAMIC STOCK FUND

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

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

Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to make provision for WWF amounting to Rs 2.403 million 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 Rs 0.0211 per unit.

- 17.2 The Finance Act, 2015 has excluded mutual funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under WWF Ordinance, 1971. 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.

## 18 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The Fund has not recorded provision for taxation as the Fund does not have any accounting income for the period after reduction of capital gains, whether realised or unrealised.

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.

## 19 TRANSACTIONS WITH CONNECTED PERSONS

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 directors and officers of the Management Company. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue/ net assets of the Fund.

- 19.1 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 19.2 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 19.3 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

	For the period from January 07, 2015 to June 30, 2015 Rupees in '000
19.4 Details of the transactions with connected persons during the period are as follows:	
<b>NBP Fullerton Asset Management Limited - Management Company</b>	
Remuneration for the period	12,560
Sindh Sales Tax on remuneration of Management Company	2,185
Federal Excise Duty on remuneration of Management Company	2,010
Units issued during the period (10,394,856 units)	104,045
Expenses paid by the Management Company on behalf of the Fund	
- Initial deposit on opening of bank accounts	44
- Listing fee	20
- Security deposit paid to National Clearing Company of Pakistan Limited	2,530
Cash distribution for the period	1,195
<b>NAFA Islamic Principal Preservation Fund</b>	
Units issued during the period (59,577,235 units)	599,017
Units redeemed during the period (21,372,343 units)	210,808
Cash distribution for the period	4,386

# NAFA ISLAMIC STOCK FUND

For the period  
from January  
07, 2015  
to June 30, 2015  
Rupees in '000

## Employees of the Management Company

Units issued during the period (3,280,586 units)	34,075
Units redeemed during the period (2,322,073 units)	24,544
Cash distribution for the period	95

## Muhammad Murtaza Ali - Company Secretary / CFO

Units issued during the period (13,081 units)	144
Units redeemed during the period (13,081 units)	144

## Central Depository Company of Pakistan Limited - Trustee

Remuneration for the period	820
CDS Charges	309
Security deposit paid	103

## Taurus Securities Limited (Common Directorship)

Brokerage expense	101
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June 30, 2015  
Rupees in '000

## 19.5 Amounts outstanding as at year end

### NBP Fullerton Asset Management Limited - Management Company

Payable to the Management Company	2,977
Sindh Sales Tax on remuneration of Management Company	518
Federal Excise Duty on remuneration of Management Company	2,010
Front-end load payable	2,698
Other Payable	2,697
- Initial deposit on opening of bank accounts	44
- Listing fee	20
- Security deposit paid to National Clearing Company of Pakistan Limited	2,530
- Security deposit paid to Central Depository Company of Pakistan Limited	103

### NAFA Islamic Principal Preservation Fund

Units held (38,204,892 units)	421,071
Dividend payable	4,386

### NBP Fullerton Asset Management Limited - Sponsor

Units held (10,394,856 units)	114,566
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### Employees of the Management Company

Units held (958,513 units)	10,564
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### Central Depository Company of Pakistan Limited - Trustee

Trustee fee	181
Security deposit	103

### National Bank of Pakistan - Sponsor

Bank Balances	1,480
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### Summit Bank Limited (Common Directorship)

Bank Balances	642
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### Amount receivable against issue of units from:

NAFA Islamic Asset Allocation Fund	93,671
NAFA Islamic Aggressive Income Fund	3,985

### Amount payable against redemption of units to:

NAFA Government Securities Liquid Fund	3,857
NAFA Income Opportunity Fund	733
NAFA Money Market Fund	67
NAFA Riba Free Savings Fund	462
NAFA Stock Fund	22,798
NAFA Income Fund	537



# NAFA ISLAMIC STOCK FUND

## 24 FINANCIAL INSTRUMENTS BY CATEGORY

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

Particulars	Available for sale	Loans and receivables	At fair value through profit or loss	Total
<b>Financial Assets</b>				
Balances with banks	-	133,821	-	133,821
Investments	877	-	1,060,929	1,061,806
Receivable against transfer of units	-	97,656	-	97,656
Dividend and profit receivable	-	3,848	-	3,848
Advances and deposits	-	2,633	-	2,633
	<u>877</u>	<u>237,958</u>	<u>1,060,929</u>	<u>1,299,764</u>

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

Particulars	At fair value through profit or loss	Other financial liabilities at Amortised cost	Total
<b>Financial Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	10,900	10,900
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	181	181
Payable against redemption of units	-	28,454	28,454
Accrued expenses and other liabilities	-	3,451	3,451
	<u>-</u>	<u>42,986</u>	<u>42,986</u>

## 25 FINANCIAL RISK MANAGEMENT

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

### 25.1 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 internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the SECP.

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

#### 25.1.1 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 Pak Rupees.

#### 25.1.2 Yield / profit rate risk

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

##### a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument except for balances in profit and loss sharing accounts which carry profit at rates ranging from 4.5% to 10.25% per annum.

##### b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that exposes 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 STOCK FUND

----- As at June 30, 2015 -----						
Particulars	Yield / Interest rate	Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest 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	4.5 - 10.25	133,821	120,875	-	-	12,946
Investments		1,061,806	-	-	-	1,061,806
Receivable against transfer of units		97,656	-	-	-	97,656
Dividend and profit receivable		3,848	-	-	-	3,848
Advances and deposits		2,633	-	-	-	2,633
		1,299,764	120,875	-	-	1,178,889

### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		10,900	-	-	-	10,900
Payable to the Central Depository Company of Pakistan Limited - Trustee		181	-	-	-	181
Payable on redemption of units		28,454	-	-	-	28,454
Accrued expenses and other liabilities		3,451	-	-	-	3,451
		42,986	-	-	-	42,986

### On-balance sheet gap (a)

	1,256,778	120,875	-	-	1,135,903
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### Off-balance sheet financial instruments

	-	-	-	-	-
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### Off-balance sheet gap (b)

	-	-	-	-	-
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### Total yield / profit rate sensitivity gap (a+b)

	1,256,778	120,875	-	-	1,135,903
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### Cumulative yield / profit rate sensitivity gap

	120,875	120,875	120,875
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## 25.1.3 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's equity securities are exposed to 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 the risk, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / NBFC Regulations also limit exposure to 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 period would increase / decrease by Rs 11.701 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 sensitivity analysis is based on the Fund's equity securities as at Statement of Assets and Liabilities date with all other variables held constant.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved 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 prepared as of June 30, 2015 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

## 25.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to balances with banks, investments, dividend and profit receivable. The credit risk on balances with banks is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in Shariah compliant equity instruments that have been that have been rated by a well known rating agency. Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

# NAFA ISLAMIC STOCK FUND

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

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

## 25.2.1 Credit quality of balances held by the Fund's bank accounts

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

Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
Habib Bank Limited	JCR-VIS	AAA	13.56%
UBL Bank Limited	JCR-VIS	AA+	1.29%
Burj Bank Limited	JCR-VIS	A	0.93%
BankIslami Pakistan Limited	PACRA	A	70.86%
Silk Bank Limited*	JCR-VIS	A-	-
Meezan Bank Limited	JCR-VIS	AA	3.69%
Sindh Bank Limited*	JCR-VIS	AA	-
Summit Bank Limited	JCR-VIS	A	0.48%
Bank Alfalah Limited	PACRA	AA	6.86%
NIB Bank Limited	PACRA	AA-	1.23%
National Bank Limited	JCR-VIS	AAA	1.10%

\*Nil value due to rounding off difference

## 25.2.2 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's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

## 25.2.3 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 the 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 at the option of unit holders. 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 can be readily realised. The Fund's listed securities are considered readily realisable as they are listed on the Stock Exchanges.

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

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

-----June 30, 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	10,900	10,900	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	181	181	-	-
Payable on redemption of units	28,454	28,454	-	-
Accrued expenses and other liabilities	3,451	3,451	-	-
	<u>42,986</u>	<u>42,986</u>	<u>-</u>	<u>-</u>

# NAFA ISLAMIC STOCK FUND

## 26 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies stated in note 25, 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.

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Investments of the Fund in equity securities are revalued on the basis of closed quoted market prices available at the stock exchange. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from carrying 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:

Assets	-----As at June 30, 2013-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Investment in listed equity securities - at fair value through profit or loss	1,060,929	-	-	1,060,929

## 28 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 15.574 million (Re 0.1369 per unit) for the period ended June 30, 2015. The financial statements of the Fund for the period 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.

## 29 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.

## 30 GENERAL

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC STOCK FUND

## PERFORMANCE TABLE

Particulars	For the period from January 07, 2015 to June 30, 2015
Net assets at the year / period ended (Rs '000)	1,251,505
Net income for the year / period ended (Rs '000)	117,766
Net Asset Value per unit at the year / period ended (Rs)	11.0214
Offer Price per unit	11.4625
Redemption Price per unit	11.0214
Highest offer price per unit (Rs)	11.5485
Lowest offer price per unit (Rs)	9.1008
Highest redemption price per unit (Rs)	11.1042
Lowest redemption price per unit (Rs)	8.7476
Opening Nav of Fiscal Year	9.7766
Total return of the fund	11.39%
Capital growth	8.80%
Income distribution as a % of e x nav	2.59%
Income distribution as a % of par value	2.53%
<b>Distribution</b>	
Interim distribution per unit	0.1160
Final distribution per unit	0.1369
<b>Distribution Dates</b>	
Interim	30-Jun-15
Final	14-Jul-15
<b>Average annual return of the fund (launch date January 09, 2015)</b>	
(Since inception to June 30, 2015)	11.40%
Portfolio Composition ( Please see Fund Manager Report)	
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>	



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