



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

NAFA FINANCIAL SECTOR INCOME FUND

QUARTERLY REPORT SEPTEMBER 30

2014




Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

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NAFA FINANCIAL SECTOR INCOME 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. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Amir 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. Amir Sattar	Member

Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	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

Askari Bank Limited
Bank Alfalah Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
Faysal Bank Limited
MCB Bank Limited
Bank Al Habib Limited
Habib Bank Limited
Al Baraka Islamic Bank Limited
The Bank of Punjab Limited
Burj Bank Limited
Summit Bank Limited
Sindh Bank Limited
United Bank Limited
JS Bank Limited
Standard Chartered Bank (Pakistan) Limited

NAFA FINANCIAL SECTOR INCOME 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

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-Gahj, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA FINANCIAL SECTOR INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Financial Sector Income Fund (NFSIF)** for the quarter ended September 30, 2014.

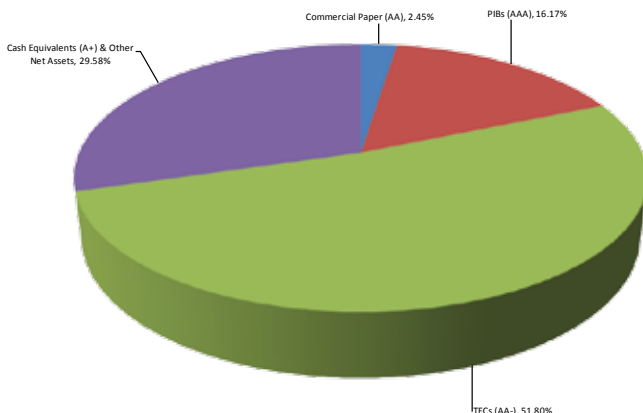
Fund's Performance

The size of NAFA Financial Sector Income Fund has declined from Rs. 2,177 million to Rs. 2,013 million during the quarter, i.e. a decline of 7.53%. During the quarter, the unit price of the Fund has increased from Rs. 10.1404 on June 30, 2014 to Rs. 10.3824 on September 30, 2014, thus showing an annualized return of 9.47% as compared to its Benchmark (70% 6 month KIBOR & 30% average 3 month deposit rates of A & above rated banks) annualized return of 9.33% for the same period.

The Fund is unique as it invests a minimum of 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity / instrument rating of debt securities are AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund

On the corporate debt sphere, trading activity in TFCs remained skewed towards high quality issues, especially those belonging to the financial sector. During the quarter under review, The State Bank of Pakistan kept the Policy Rate unchanged at 10% despite abatement in inflationary pressures. All TFCs in the Fund are floating rate linked to KIBOR with six month coupon resetting period. Therefore, they carry a relatively low interest rate risk as any increase in interest rates will increase the coupon income of the TFC portfolio. The Government continued its stance of borrowing through long-term PIBs as corroborated by surge in outstanding stock of PIBs from 3,223.5 billion on June 30, 2014 to Rs. 3,457.6 billion on 30th September 2014.

The Fund has earned total income of Rs.62.17 million during the period. After deducting expenses of Rs.13.05 million, the net income is Rs.49.12 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NFSIF.



NAFA FINANCIAL SECTOR INCOME 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: October 30, 2014
Place: Karachi.

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2014

	Note	(Un-audited) September 30, 2014	(Audited) June 30, 2014
(Rupees in '000)			
ASSETS			
Balances with banks		594,431	1,411,420
Investments	4	1,417,493	1,690,433
Profit receivable	5	43,511	59,488
Preliminary expenses and floatation costs		453	507
Security deposit		100	100
Receivable against sale of units		61	-
Prepayments and other receivables		71	173
Total assets		2,056,120	3,162,121
LIABILITIES			
Payable to the Management Company		14,125	10,813
Payable to Central Depository Company of Pakistan Limited - Trustee		212	260
Payable to the Securities and Exchange Commission of Pakistan		394	2,891
Payable against redemption of units		10,308	954,532
Accrued expenses and other liabilities	6	18,024	16,589
Total liabilities		43,063	985,085
NET ASSETS		2,013,057	2,177,036
Unit holders' fund (as per statement attached)		2,013,057	2,177,036
CONTINGENCIES AND COMMITMENTS			
	9`	----- Number of Units -----	
Number of units in issue		193,890,470	214,688,472
		----- Rupees -----	
Net asset value per unit		10.3824	10.1404

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	Quarter ended September 30, 2014	Quarter ended September 30, 2013
INCOME			
(Rupees in '000)			
Capital gain on sale of investments - net		777	73
Income from term finance certificates and commercial papers		36,425	48,858
Income from government securities		8,793	4,530
Income on bank and term deposit receipts		14,980	61,869
Income on money market placements		-	816
Income from certificate of investments		-	6,680
Net unrealised appreciation in the value of investments classified as financial assets at fair value through profit or loss'		1,195	1,941
Total income		62,170	124,767
EXPENSES			
Remuneration of the Management Company		7,870	18,862
Sindh sales tax on remuneration of the Management Company		1,461	3,018
Federal excise duties on remuneration of the Management Company		1,259	3,018
Remuneration of the Trustee		660	1,283
Annual fee - Securities and Exchange Commission of Pakistan		394	943
Securities transaction cost		31	26
Settlement and bank charges		142	190
Annual listing fee		10	10
Auditors' remuneration		126	121
Fund's Rating fee		43	50
Amortisation of preliminary expenses and floatation costs		55	55
Total expenses		12,051	27,576
Net income from operating activities		50,119	97,191
Provision for workers' welfare fund	8	(1,002)	(1,944)
Net income for the period before taxation		49,117	95,247
Taxation	10	-	-
Net income for the period after taxation		49,117	95,247
Earnings per unit	7		

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	----- Rupees -----	
Net income for the period after taxation	49,117	95,247
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>49,117</u>	<u>95,247</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	----- Rupees -----	
Accumulated income brought forward		
- Realised income	88,333	104,392
- Unrealised income	<u>(13,458)</u>	<u>2,382</u>
	74,875	106,774
Net income for the period after taxation	49,117	95,247
Element of (loss) / Income and Capital (losses) / gains included in the prices of units issued less those in units redeemed	(2,228)	(776)
Final distribution for the year ended June 30, 2014: Nil (June 30, 2013 : 0.1010%)		
- Bonus units	-	(2,463)
- Cash distribution	-	(2,438)
Undistributed income carried forward	<u>121,764</u>	<u>196,344</u>
Undistributed income comprising of :		
- Realised income	120,569	194,403
- Unrealised income	<u>1,195</u>	<u>1,941</u>
	<u>121,764</u>	<u>196,344</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	----- Rupees -----	
Net assets at the beginning of the period	2,177,036	4,962,334
Issue of 7,062,071 units (2013: 44,049,413 units)	72,525	456,880
Redemption of 27,860,073 units (2013: 50,169,409 units)	(285,621)	(520,491)
Final distribution for the year ended June 30, 2014: Nil (June 30, 2013 : 0.1010%)	(213,096)	(63,611)
- Bonus distribution ; issue of Nil bonus units (2013 : 239,518 units)	-	-
-	-	2,463
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	2,228	776
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	1,195	1,941
Capital gain on sale of investments - net	777	73
Other operating income	47,145	93,233
Net income for the period	49,117	95,247
Final distribution for the year ended June 30, 2014: Nil (June 30, 2013 : 0.1010%)		
- Bonus units	-	(2,463)
- Cash distribution	-	(2,438)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(2,228)	(776)
Net assets as at the end of the period	2,013,057	4,991,532

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	49,117	95,247
Adjustments :		
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,195)	(1,941)
Amortisation of preliminary expenses and floatation costs	55	55
	47,977	93,361
Decrease / (increase) in assets		
Investments	274,134	1,317,677
Profit receivable	15,977	15,514
Receivable against sale of units	(61)	961,449
Prepayments and other receivables	102	45
	290,152	2,294,685
Increase in liabilities		
Payable to the Management Company	3,312	3,674
Payable to the Trustee	(48)	67
Payable to the Securities and Exchange Commission of Pakistan	(2,497)	(1,833)
Accrued expenses and other liabilities	1,435	2,018
	2,202	3,925
Net cash used in operating activities	340,331	2,391,971
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	72,525	456,880
Payment on redemption of units	(1,229,845)	(513,545)
Cash distribution	-	(2,438)
Net cash (outflow) / inflow from financing activities	(1,157,320)	(59,103)
Net increase in cash and cash equivalents during the period	(816,989)	2,332,868
Cash and cash equivalents at the beginning of the period	1,411,420	1,321,210
Cash and cash equivalents as at the end of the period	594,431	3,654,078

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Financial Sector Income 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 Trustee. The Trust Deed was executed on July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

The Fund 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 these to the Fund. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by SECP for categorisation of Collective Investment Schemes (CIS).

The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs / Sukuks, Bank deposits and short-term money market instruments.

The Pakistan Credit Rating Agency (PACRA) has assigned stability rating of A+(f) to the Fund and an asset manager rating of AM2 to the Management Company.

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

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. 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, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulation or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

The directors of the asset management company declare that condensed interim financial statements give a true and fair view of the fund

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed financial statements for the quarter ended September 30, 2014 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2014.

4 INVESTMENTS

At fair value through profit or loss - held for trading

Note	(Un-Audited) September 30, 2014	(Audited) June 30, 2014	
Investment in term finance certificates - listed	4.1	551,672	568,230
Investment in term finance certificates - unlisted	4.2	491,045	591,677
Investment in government securities - Pakistan Investment Bonds	4.3	325,516	482,685

Loans and receivables

Investment in commercial papers	4.4	49,260	47,841
		<u>1,417,493</u>	<u>1,690,433</u>

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

NAFA FINANCIAL SECTOR INCOME FUND

4.1 Term finance certificates - listed

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2014	Investment as a percentage of		
	As at July 01, 2014	Purchases during the period	Sales / Matured during the period	As at September 30, 2014		Net assets	Market value of total investments	Issue Size
Rupees in '000						----- % -----		
Term finance certificates - listed								
Allied Bank Limited - I	4,400	-	-	4,400	5,491	0.27	0.39	0.88
Allied Bank Limited II	13,000	-	-	13,000	63,460	3.15	4.48	2.17
Askari Bank Limited - III	30,336	-	-	30,336	151,501	7.53	10.69	5.06
Bank Al-Habib Limited -II	1,077	-	-	1,077	2,692	0.13	0.19	0.36
Faysal Bank Limited - III	59,000	-	-	59,000	303,371	15.07	21.40	9.83
Pak Libya Holding Company (Pvt) Limited	10,000	-	-	10,000	25,157	1.25	1.77	5.00
United Bank Limited -III	3,900	-	3,900	-	-	-	-	-
					<u>117,813</u>	<u>551,672</u>	<u>27.40</u>	<u>38.92</u>
Carrying Value as at September 30, 2014					553,959			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'						<u>(2,287)</u>		

4.2 Term finance certificates - unlisted

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2014	Investment as a percentage of		
	As at July 01, 2014	Purchases during the period	Sales / Matured during the period	As at September 30, 2014		Net assets	Market value of total investments	Issue Size
Rupees in '000						----- % -----		
Term finance certificates - unlisted								
Bank Alfalah Limited - IV	70,200	-	2,800	67,400	351,110	17.44	24.77	7.02
Askari Bank Limited - IV	44	-	-	44	45,464	2.26	3.21	0.02
Bank Alfalah Limited - IV FX	11,500	-	11,500	-	-	-	-	-
Standard Chartered Bank	10,000	-	-	10,000	49,472	2.46	3.49	2.50
Pakistan Mobile Communication Limited	14,420	-	14,420	-	-	-	-	-
Hascol Petroleum limited	9,000	-	-	9,000	45,000	2.24	3.17	1.0
					<u>86,444</u>	<u>491,045</u>	<u>24.39</u>	<u>34.64</u>
Carrying Value as at September 30, 2014					488,253			
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'						<u>2,792</u>		

4.3 Government securities

Pakistan Investment Bonds

Issue date	Tenor	As at July 01, 2014	Face value			Market Value as at September 30, 2014	Investment as a percentage of	
			Purchases during the period	Sales / matured during the period	As at September 30, 2014		Net assets	Market value of total investments
Rupees in '000						----- % -----		
27-Mar-14	3 years	175,000	-	175,000	-	-	-	-
27-Mar-14	5 years	40,000	-	-	40,000	38,640	1.92	2.73
24-Apr-14	3 years	125,000	-	125,000	-	-	-	-
22-May-14	3 years	150,000	-	150,000	-	-	-	-
11-Jul-14	5 years	-	50,000	-	50,000	48,300	2.40	3.41
13-Aug-14	3 years	-	200,000	60,000	140,000	136,329	6.77	9.62
29-Aug-14	3 years	-	50,000	-	50,000	48,689	2.42	3.43
11-Sep-14	3 years	-	15,000	-	15,000	14,607	0.73	1.03
22-Sep-14	3 years	-	40,000	-	40,000	38,951	1.93	2.75
						<u>325,516</u>	<u>16.17</u>	<u>22.96</u>
Carrying Value as at September 30, 2014						324,826		
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'						<u>690</u>		

NAFA FINANCIAL SECTOR INCOME FUND

4.4

Name of issuer	Maturity date	Purchase Price	As at September 30, 2014
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PAIR Investment Company Limited	18-Nov-14	47,224	49,260
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This Commercial paper having a face value of Rs 50 million has been issued at discount and is being amortised over a period of 180 days.

	Note	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
----- Rupees in '000 -----			
5 PROFIT RECEIVABLE			
Profit receivable on bank deposits		53	2,517
Profit receivable on term finance certificates		35,592	32,158
Profit receivable on government securities		7,866	24,813
		<u>43,511</u>	<u>59,488</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		484	357
Provision for Workers' Welfare Fund	8	16,290	15,287
Brokerage		43	20
Printing charges		150	150
Legal fee		50	50
Settlement and bank charges		215	66
Withholding tax payable		782	659
Others		10	-
		<u>18,024</u>	<u>16,589</u>
7 EARNINGS PER UNIT			

Earnings per unit (EPU) for the period ended September 30, 2014 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

8 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this connection, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

In a recent judgment, the 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 of the Fund, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 16,290 million including Rs 1 million for the current year (2014 : 15.287 million) in these financial statements. Had the provision not been made the net asset value per unit / return of the Fund would have been higher by Re. 0.0840 per unit.

CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at September 30, 2014 (June 30, 2014 : Nil).

NAFA FINANCIAL SECTOR INCOME FUND

10 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a provision for taxation in respect of income relating to the current period as the Management Company has distributed the required minimum percentage of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

11 TRANSACTIONS WITH CONNECTED PERSONS

11.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP), and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

11.3 Remuneration and front - end load payable to the Management Company and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

	(Un-Audited) For the quarter ended September 30, 2014	(Un-Audited) For the quarter ended September 30, 2013
	----- Rupees in '000 -----	
11.4 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	7,870	18,862
Sindh sales tax on remuneration of the Management Company	1,461	3,018
Federal excise duties on remuneration of the Management Company	1,259	3,018
Front end load	195	848
Alexandra Fund Management Pte. Limited - Sponsor		
Bonus of Nil units issued during the period (2013 :11,345 units)	-	-
National Bank of Pakistan		
TBill purchased from sponsor	-	1,358,125
Dividend paid to sponsor	-	2,438
TDR purchased from sponsor	-	500,000
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	660	1,283
Settlement charges	51	50
Employees of the Management Company		
Bonus of Nil units issued during the period (2013: 496 units)	-	-
82,561 Units issued / transferred in during the period (2013 : 857,958 units)	849	8932
82,087 Units redeemed / transferred out during the period (2013 : 821,143 units)	839	8539
Chief Financial Officer		
Bonus of Nil units issued during the period (2013: 19 units)	-	-
Nil Units issued / transferred in during the period (2013 : 181,291 units)	-	1887
Nil Units redeemed / transferred out during the period (2013 : 964 units)	-	10
NAFA Income Opportunity Fund		
Sale of Pakistan Investment Bond	207,600	-
Summit Bank Limited		
Bank Profit	-	135

NAFA FINANCIAL SECTOR INCOME FUND

(Un-Audited)
As at
September 30,
2014
----- Rupees in '000 -----

As at June 30,
2014

11.5 Balances outstanding as at period end

NBP Fullerton Asset Management Limited - Management Company

Preliminary expenses and floatation costs paid by Management Company on behalf of the Fund	1,092	1,092
Rating fee paid by the Management Company on behalf of the Fund	52	52
Sales load and transfer load payable to the Management Company	368	391
Security deposit with Central Depository Company of Pakistan Limited given by the Management Company on behalf of the Fund	100	100
Management remuneration payable	2,518	594
Sindh Sales Tax payable on Management Company's remuneration	499	200
Federal Excise Duties on Management Company's remuneration	9,496	8,384

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	212	260
Security deposit	100	100

National Bank of Pakistan - Sponsor

Investment held by the sponsor in the Fund 68,882,766 (June 30 2014: 68,882,766 units)	715,168	698,499
Balance in current account	1,653	1,241

Employees of the Management Company

Investment held in the Fund 371,622 units (June 30 2014: 371,147 units)	3,858	3,764
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Muhammad Murtaza Ali - Company Secretary / CFO

Units held : 80,311 units (June 30 2014 : 80,311 units)	834	814
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Habib Metropolitan Bank Limited

Units held : 20,151,328 units (June 30 2014: 23,561,078 units)	209,219	238,919
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Summit Bank Limited

Bank balance	1,238	1,624
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12 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 30 October, 2014 by the Board of Directors of the Management Company.

13 GENERAL

13.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

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