



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

*Your investments & "NAFA" grow together*




*Joint - Venture Partners*

# NAFA INCOME FUND

A photograph of a young green seedling with two leaves growing out of a mound of dark, rich soil. The seedling is positioned on the left side of the lower half of the page.

HALF YEARLY REPORT  
**DECEMBER 31**  
**2013**

## 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 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. 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 Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

### Trustee

MCB Financial Service Limited  
3rd Floor, Adamjee House,  
I.I. Chundrigar Road Karachi - 74000

### Bankers to the Fund

Allied Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Bank of Punjab  
National Bank of Pakistan  
NIB Bank Limited  
Habib Bank Limited  
Burj Bank Limited  
Sindh Bank Limited

## **Auditors**

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Cavish Court,  
A-35, Block 7 & 8,  
KCHSU, Sharae Faisal  
Karachi-75350 Pakistan

## **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, 1-9/3 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 INCOME FUND

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# NAFA INCOME FUND

## DIRECTORS' REPORT

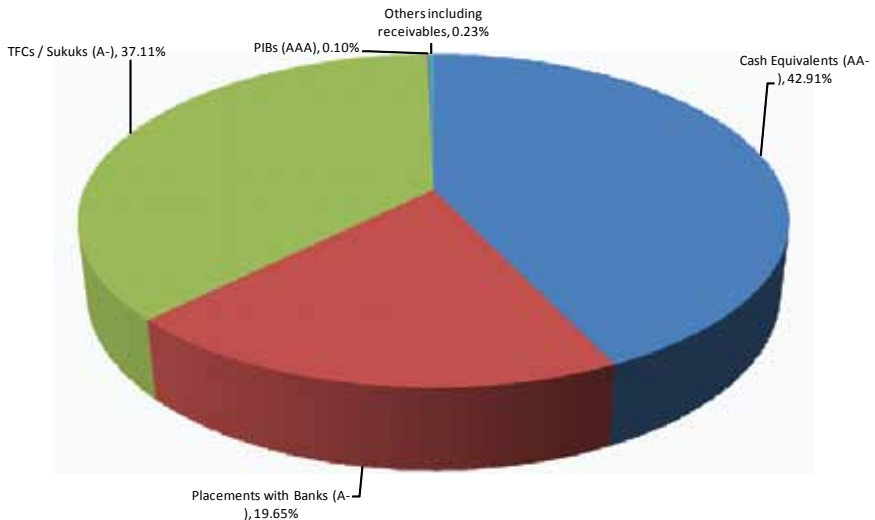
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Income Fund (NIF)** for the half year ended December 31, 2013.

### Fund's Performance

The size of NAFA Income Fund increased from Rs. 490 million to Rs. 509 million during the period, i.e. an increase of 3.90%. During the said period, the unit price of NAFA Income Fund increased from Rs. 9.1284 (Ex-Div) on June 30, 2013 to Rs. 9.4697 on December 31, 2013, thus showing an annualized return of 7.42% as compared to its Benchmark (6-Month KIBOR) return of 9.48%.

NIF is categorized as an Income Scheme and has been awarded stability rating of A-(f) by PACRA. On the corporate debt sphere, there were few primary issuance amid muted private sector borrowing and elevated risk aversion in the market. Trading activity in TFCs was skewed towards high quality issues, especially belonging to the financial sector. The State Bank of Pakistan increased the policy rate by 100bps during the period under review citing upside risks to the external account, depleting FX reserves, and rising inflation expectations. Most TFCs in the Fund are floating rate linked to KIBOR. Therefore, increase in interest rates will increase the coupon income of the TFC portfolio.

The Fund has earned total income of Rs.29.13 million during the period. After deducting expenses of Rs.10.79 million, the net income is Rs.18.34 million. The asset allocation of the Fund as on December 31, 2013 is as follows:



# NAFA 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: February 13, 2014  
Place: Karachi.

# NAFA INCOME FUND

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### NAFA INCOME FUND

**Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

NAFA Income Fund, an open-end Scheme established under a Trust Deed dated January 03, 2008 executed between NBP Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on January 29, 2008.

CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee with effect from November 22, 2011.

1. NBP Fullerton Asset Management Limited, the Management Company of NAFA Income Fund has in all material respects managed NAFA Income Fund during the period ended 31st December 2013 in accordance with the provisions of the following:

- (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
- (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
- (iii) the creation and cancellation of units are carried out in accordance with the deed;
- (iv) and any regulatory requirement

Karachi: February 7, 2014

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited



# NAFA INCOME FUND

## AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA INCOME FUND** (the Fund) as at December 31, 2013, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and notes to the accounts for the six months period ended December 31, 2013 (here-in-after referred to as the 'interim financial information'). **NBP Fullerton Asset Management Limited** (the Management Company) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the three months period ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2013.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants

**Engagement Partner**  
Nadeem Yousuf Adil

**Date:** February 13, 2014  
**Place:** Karachi

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2013

	Note	Un-audited December 31, 2013	Audited June 30, 2013
------(Rupees in '000)-----			
<b>ASSETS</b>			
Balances with banks	4	318,373	182,806
Investments	5	189,363	303,644
Profit receivable	6	6,035	7,178
Advances, deposits, prepayments and other receivables		312	419
<b>Total assets</b>		<b>514,083</b>	<b>494,047</b>
<b>LIABILITIES</b>			
Payable to the NBP Fullerton Asset Management Limited - Management Company	7	1,766	1,014
Payable to the MCB Financial Services Limited - Trustee		43	40
Payable to the Securities and Exchange Commission of Pakistan		189	341
Accrued expenses and other liabilities	8	3,155	2,812
Total liabilities		5,153	4,207
<b>NET ASSETS</b>		<b>508,930</b>	<b>489,840</b>
<b>UNIT HOLDERS' FUND (As per statement attached)</b>		<b>508,930</b>	<b>489,840</b>
Contingencies and commitments	9		
-----Number of units-----			
Number of units in issue		53,743,240	50,680,883
-----Rupees-----			
Net asset value per unit		9.4697	9.6652

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

	Note	Six months ended		Three months ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
-----Rupees in '000-----					
<b>INCOME</b>					
Profit on bank deposits		12,317	1,028	7,700	742
Gain / (loss) on sale of investments - net		(90)	(1,535)	(136)	(1,570)
Income from term finance certificates and sukus		12,698	20,725	6,927	7,409
Income from certificate of investment (COI)		557	134	-	134
Income from government securities		622	6,561	14	2,726
Unrealised gain / (loss) on re-measurement of investments 'at fair value through profit or loss- held for trading' - net	5.8	3,022	(16,976)	1,158	1,414
<b>Total income</b>		<b>29,126</b>	<b>9,937</b>	<b>15,663</b>	<b>10,855</b>
<b>EXPENSES</b>					
Remuneration of the NBP Fullerton Asset Management Limited - Management Company		5,043	4,380	2,554	2,252
Sindh sales tax on remuneration of the Management Company	7.1	947	701	549	360
FED on remuneration of Management Company		807	-	409	-
Remuneration to MCB Financial Services Limited - Trustee		252	219	128	113
Annual fee - Securities and Exchange Commission of Pakistan		189	164	96	84
Annual listing fee		15	15	7	5
Securities transaction cost		21	2	14	-
Settlement and bank charges		163	123	119	57
Auditors' remuneration		280	272	167	142
Impairment loss / (reversal of impairment) on term finance certificates and sukus	5.8	2,536	(6,922)	2,536	21,602
Fund rating fee		121	110	62	26
Amortisation of preliminary expenses and floatation costs		-	504	-	252
Other expenses		39	20	39	18
<b>Total expenses</b>		<b>10,413</b>	<b>(412)</b>	<b>6,680</b>	<b>24,911</b>
<b>Net income / (loss) from operating activities</b>		<b>18,713</b>	<b>10,349</b>	<b>8,983</b>	<b>(14,056)</b>
Provision for Workers' Welfare Fund	10	(374)	(207)	(179)	281
<b>Net income / (loss) for the period before taxation</b>		<b>18,339</b>	<b>10,142</b>	<b>8,804</b>	<b>(13,775)</b>
<b>Taxation</b>	11	-	-	-	-
<b>Net income / (loss) for the period after taxation</b>		<b>18,339</b>	<b>10,142</b>	<b>8,804</b>	<b>(13,775)</b>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

	Note	Six months ended		Three months ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
-----Rupees in '000-----					
Net income / (loss) for the period after taxation		18,339	10,142	8,804	(13,775)
<b>Other comprehensive income for the period</b>					
<b>Items that may subsequently be reclassified through profit and loss account</b>					
Net unrealised gain on re-measurement of investments classified as 'available for sale'	5.7	-	-	124	7,958
<b>Total comprehensive income for the period</b>		<u>18,339</u>	<u>10,142</u>	<u>8,928</u>	<u>(5,817)</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

	Six months ended		Three months ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
-----Rupees in '000-----				
Accumulated loss brought forward	(11,399)	(43,047)	(29,069)	(19,140)
- Bonus units	(27,093)	-	-	-
- Cash distribution	(169)	-	-	-
Element of income and capital gains included in prices of units issued less those in units redeemed	62	1,398	5	1,408
Net income / (loss) for the period	18,339	10,142	8,804	(13,775)
Accumulated loss carried forward	<u>(20,260)</u>	<u>(31,507)</u>	<u>(20,260)</u>	<u>(31,507)</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

	Six months ended		Three months ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
-----Rupees in '000-----				
Net assets at the beginning of the period	489,840	417,156	498,841	432,339
Issue of 3,625,408 units including 2,961,846 bonus units (2012: 4,821,224 units)	6,233	45,014	6,233	45,002
Redemption of 563,051 units (2012:139,928 units)	(5,313)	(1,294)	(5,072)	(506)
	920	43,720	1,161	44,496
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed - transferred to distribution statement	(62)	(1,398)	(4)	(1,408)
Final Distribution for the period ended June 30, 2013 : 5.379% Issued bonus units 2,961,846	27,093	-	-	-
Total Comprehensive income / (loss) for the period	18,339	10,142	8,928	(5,817)
- Bonus distribution	(27,093)	-	-	-
- Cash distribution	(169)	-	-	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net	62	1,398	4	1,408
Net assets as at the end of the period	<u>508,930</u>	<u>471,018</u>	<u>508,930</u>	<u>471,018</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

	Six months ended		Three months ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
-----Rupees in '000-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income / (loss) for the period before taxation	18,339	10,142	8,804	(13,775)
<b>Adjustments</b>				
Unrealised (gain) / loss on re-measurement of investments 'at fair value through profit or loss- held for trading' - net	(3,022)	16,976	(1,158)	(1,414)
Amortisation of preliminary expenses and floatation costs	-	504	-	252
Loss on sale of investments - net	90	1,535	90	1,593
Impairment loss / (Reversal of Impairment) on term finance certificates and sukuks	2,536	(6,922)	2,536	21,602
	17,943	22,235	10,272	8,258
<b>Decrease/ (increase) in assets</b>				
Investments	114,677	69,788	27,515	82,883
Advances, deposits, prepayments and other receivables	107	(15)	78	5
Profit receivable	1,143	(2,872)	1,370	(401)
	115,927	66,901	28,963	82,487
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	752	141	553	122
Payable to the Trustee	3	6	2	5
Payable to Securities and Exchange Commission of Pakistan	(152)	(156)	96	84
Accrued expenses and other liabilities	343	336	27	(359)
	946	327	679	(148)
<b>Net cash from operating activities</b>	134,816	89,463	39,914	90,597
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Amounts received from issuance of units	6,233	45,014	6,233	45,002
Dividend Paid	(169)	-	-	-
Amounts paid on redemption of units	(5,313)	(1,294)	(5,072)	(506)
<b>Net cash from financing activities</b>	751	43,720	1,161	44,496
<b>Net increase in cash and cash equivalents during the period</b>	135,567	133,183	41,075	135,093
Cash and cash equivalents at the beginning of the period	182,806	8,868	277,298	6,958
<b>Cash and cash equivalents as at the end of the period</b>	318,373	142,051	318,373	142,051

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

### 1 LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited, a company incorporated under the Companies Ordinance, 1984, as Management Company and Central Depository Company of Pakistan Limited (CDC), also incorporated under the Companies Ordinance, 1984, as Trustee. The Trust Deed was executed on January 03, 2008 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). Subsequently, Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

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 was situated at 9th Floor, Adamjee House, I.I.Chundrigar Road, Karachi. From 4 February 2013, the registered office of the Management Company is shifted to 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

The Fund is an open-ended mutual fund categorised as income scheme and its units are listed on the Lahore Stock Exchange. Units of the Fund are offered for public subscription on a continuous basis. These units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund is to earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets. The Fund comprises of investments of various time horizons with a significant amount invested in short term investments for the purpose of maintaining liquidity.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2' to the Management Company and a long term and short term performance ranking of 'A-(f)' to the Fund.

Title of the assets of the Fund is held in the name of MCB Financial Services Limited (MCBFSL) as the trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34 - "Interim Financial Reporting", provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Rules and the Regulations shall prevail.

This condensed interim financial information comprises of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and the notes forming part thereof.

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2013.

This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. Accordingly, the Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.



# NAFA INCOME FUND

## 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the investments which are stated at fair value.

## 2.3 Functional and presentation currency

This condensed interim financial information are presented in Pak Rupees which is the functional and presentation currency of the Fund.

## 2.4 Critical accounting estimates and judgements

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2013.

## 2.5 Financial Risk Management

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended June 30, 2013.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2013.

	Note	(Un-Audited) December 31 2013	(Audited) June 30, 2013
(Rupees in '000)			
<b>4 BALANCES WITH BANKS</b>			
Current accounts		1,923	423
Savings accounts	4.1	216,450	182,383
Term Deposit Account		100,000	-
		318,373	182,806

4.1 These carry a rate of return ranging from 6% to 11% (2012: 6% to 12%) per annum.

	Note	(Un-Audited) December 31 2013	(Audited) June 30, 2013
(Rupees in '000)			
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Term finance certificates - listed	5.1.1	157,841	195,770
Term finance certificates - unlisted	5.1.3	13,920	13,594
Sukuks	5.2	-	43,507
Government securities	5.3	503	512
		172,264	253,383
<b>Available for sale</b>			
Term finance certificates - listed	5.4	-	4,497
Sukuks	5.5	17,099	20,763
		17,099	25,260
<b>Loans and receivables</b>			
Certificates of Investment		-	25,001
		189,363	303,644

# NAFA INCOME FUND

## 5.1 Term Finance Certificates - at fair value through profit or loss - held for trading

### 5.1.1 Term Finance Certificates - listed

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

Name of the investee company	Number of Certificates				Market value as at December 31, 2013	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sale during the period	As at December 31, 2013		Net assets	Market value of total investments	Issue size
	Rupees in '000					------%-----		
Allied Bank Limited	2,000	-	-	2,000	9,968	1.96	5.26	1.33
Bank Alfalah Limited	2,000	-	-	2,000	10,550	2.07	5.57	0.21
NIB Bank Limited	1,200	-	1,200	-	-	-	-	-
Faysal Bank Limited	5,000	-	-	5,000	26,152	5.14	13.81	0.87
Saudi Pak Leasing Company Limited (Note 5.1.2)	15,000	-	-	15,000	21,561	4.24	11.39	2.87
Standard Chartered Bank (Pak) Limited	6,000	-	-	6,000	30,113	5.92	15.90	3.01
Engro Fertilizer Limited(30-11-07)	6,404	-	-	6,404	31,940	6.28	16.87	0.80
Engro Fertilizer Limited(17-12-2009)	600	-	-	600	2,557	0.50	1.35	0.13
Jahangir Siddiqui and Company Ltd.	-	5,000	-	5,000	25,000	4.91	13.20	3.33
Pakistan Mobile Communication Limited	8,400	-	8,400	-	-	-	-	-
United Bank Limited	3,000	-	3,000	-	-	-	-	-
<b>Total as at December 31, 2013</b>					<b>157,841</b>	<b>43.25</b>	<b>83.35</b>	<b>13.56</b>
<b>Carrying Value as at December 31, 2013</b>					<b>155,136</b>			

5.1.2 This represents investment in listed term finance certificates with original term of five years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its term on December 26, 2011 with a new maturity in March 2017. The said TFCs has complied with repayment terms since and has been reclassified as performing as per criteria defined in circular no. 1 of 2009 and circular no. 33 of 2012.

### 5.1.3 Term Finance Certificates - unlisted

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

Name of the investee company	As at July 1, 2013	Purchases during the period	Sale during the period	As at December 31, 2013	Market value as at December 31, 2013	Net assets	Market value of total investments	Issue size
	Rupees in '000					------%-----		
Engro Fertilizers Limited	2,900	-	-	2,900	13,920	2.74	7.35	0.36
Agritech Limited II (note: 5.1.4)	30,000	-	-	30,000	-	-	-	-
Agritech Limited V (note: 5.1.5)	4,436	-	-	4,436	-	-	-	-
<b>Total as at December 31, 2013</b>					<b>13,920</b>	<b>2.74</b>	<b>7.35</b>	<b>0.36</b>
<b>Carrying Value as at December 31, 2013</b>					<b>185,650</b>			
<b>Accumulated impairment</b>					<b>172,056</b>			

5.1.4 This represents investment in privately placed unlisted term finance certificates with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.1.5 This represents investment in privately placed term finance certificates (PPTFC) of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.1.6 The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

5.1.7 Securities listed below have been classified as non-performing in accordance with SECP circular no. 1 of 2009 and circular no. 33 of 2012 and the Fund's provisioning policy for non-performing exposure. Accordingly, the carrying values stated above have been arrived at after taking into account provision as under:

# NAFA INCOME FUND

Name of the investee company	Note	31-Dec-13			30-Jun-13		
		Outstanding Balance	Provision Held	Net Carrying Value	Outstanding Balance	Provision Held	Net Carrying Value
-----Rupees in '000-----							
Agritech Limited II		149,876	(149,876)	-	149,876	(149,876)	-
Agritech Limited V		22,180	(22,180)	-	22,180	(22,180)	-
Eden Housing Industries Private Limited - Sukuk		31,875	(14,776)	17,099	-	-	-
Worldcall Telecom		29,982	(29,982)	-	-	-	-
New Allied Electronics Limited		49,054	(49,054)	-	-	-	-

5.1.8 These carry rate of return ranging from 6.75% to 14.54% (2012: 6.91% to 16.24%) per annum.

## 5.2 Sukuks - at fair value through profit or loss - held for trading

All sukuk have a face value of Rs. 5,000 each

Name of the investee company	Number of Bonds				Market value as at December 31, 2013	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sale during the period	As at December 31, 2013		Net assets	Market value of total investments	Issue size
Rupees in '000						-----%-----		
New Allied Electronics Industries (Private) Limited (note 5.2.1)	10,000	-	-	10,000	-	-	-	-
GOP Ijarah Sukuk (02-MAR-12 to 02-MAR-15)	700	-	700	-	-	-	-	-
HUBCO Short term Islamic Sukuk (13-Mar-13 to 13-Sep-13)	4,000	-	4,000	-	-	-	-	-
HUBCO Short term Islamic Sukuk (14-Feb-13 to 14-Aug-13)	4,000	-	4,000	-	-	-	-	-
<b>Total as at December 31, 2013</b>					-	-	-	-
<b>Carrying Value as at December 31, 2013</b>					49,054			
<b>Accumulated impairment</b>					49,054			

5.2.1 This represents investment in privately placed sukuk with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular 1 of 2009 has been maintained by valuing the investment in terms of the said circular.

## 5.3 Government Securities - at fair value through profit or loss - held for trading

Issue Date	Tenor	Face Value				Market value as at December 31, 2013	Investment as a percentage of	
		As at July 1, 2013	Purchases during the period	Sale during the period	As at December 31, 2013		Net assets	Market value of total investments
Rupees in '000						-----%-----		
<b>Market Treasury Bills</b>								
July 26, 2012	12 Months	-	160,000	160,000	-	-	-	-
September 19, 2013	03 Months	-	200,000	200,000	-	-	-	-
<b>Pakistan Investment Bond</b>								
August 18, 2011	3 Years	500	-	-	500	503	0.10	0.27
<b>Total as at December 31, 2013</b>						503	0.10	0.27
<b>Carrying Value as at December 31, 2013</b>						512		

5.3.1 These carry rate of return ranging from 8.95% to 9.45% (June 30, 2013: 9.20% to 14.47%)

# NAFA INCOME FUND

## 5.4 Term Finance Certificates - available for sale (listed)

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

Name of the investee company	Number of certificates / bonds				Market value as at December 31, 2013	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sale during the period	As at December 31, 2013		Net assets	Market value of total investments	Issue size
Worldcall Telecom Limited (note 5.4.1)	14,000	-	-	14,000	Rupees in '000	-	-	3.00
<b>Total as at December 31, 2013</b>						<u>-</u>	<u>-</u>	<u>-</u>
<b>Carrying Value as at December 31, 2013</b>						<u>29,982</u>		
<b>Accumulated impairment</b>						<u>29,982</u>		

5.4.1 This represents investment in listed term finance certificates of Worldcall Telecom Limited. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.

5.4.2 The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

## 5.5 Sukuks - available for sale

Name of the investee company	Number of certificates / bonds				Market value as at December 31, 2013	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sale during the period	As at December 31, 2013		Net assets	Market value of total investments	Issue size
Eden Housing Limited (note 5.5.1)	20,000	-	-	20,000	Rupees in '000	3.36	9.03	3.33
<b>Carrying Value as at December 31, 2013</b>						<u>17,099</u>	<u>3.36</u>	<u>9.03</u>
<b>Accumulated impairment</b>						<u>26,250</u>		
						<u>9,151</u>		

5.5.1 This represents investment in privately placed sukuk bonds with a term of five years. On May 06, 2011, the issuer defaulted its scheduled principal and profit payment and therefore it was classified as 'Non Performing Asset' (NPA) by MUFAP. The management has recognised provision for impairment by 34.86% which has been freed since October 11, 2011. Management Company considers that since the Fund is receiving timely payments from borrower; hence no additional provision is required (as per minimum provisioning criteria defined in circular no. 33 of 2012.)

5.5.2 The sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

# NAFA INCOME FUND

	Note	(Un-audited) December 31, 2013	(Audited) June 30, 2013
----- Rupees in '000 -----			
<b>5.6 Unrealised gain / (loss) on re-measurement of investments 'at fair value through profit or loss- held for trading' - net</b>			
Market value of investments		172,264	253,383
Less: Carrying value of investments	5.1.1, 5.1.3, 5.2 & 5.3	(169,242)	(275,387)
		3,022	(22,004)
<b>5.7 Unrealised gain in fair value of investments classified as 'available for sale'</b>			
Market value of investments		17,099	25,260
Less: Cost of investments		(56,232)	(61,857)
		(39,133)	(36,597)
Provision against non-performing term finance certificates and sukus		39,133	36,597
		-	-
<b>5.8 Movement in provision against investment</b>			
Opening balance		257,708	268,264
Add: Charge for the period		4,497	15,491
Less: Reversals / write offs		(1,961)	(26,047)
Net charge		2,536	(10,556)
Closing balance		260,244	257,708
Provision related to investments classified at 'fair value through profit or loss - held for trading'		221,111	221,111
Provision related to investments classified at 'available for sale'		39,133	36,597
		260,244	257,708
<b>6 PROFIT RECEIVABLE</b>			
Profit on savings and term deposits		513	213
Profit receivable on:			
- Term finance certificate and sukus		100,588	88,073
- Government securities		21	21
- Certificate of investments		-	39
Less: Income suspended over non-performing debt securities		(95,087)	(81,168)
		5,522	6,965
		6,035	7,178

# NAFA INCOME FUND

		(Un-audited) December 31, 2013	(Audited) June 30, 2013
	Note	----- Rupees in '000 -----	
<b>7 PAYABLE TO NBP FULLERTON MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management fee		868	798
Transfer load payable		12	-
Sindh sales tax payable on Management Remuneration	7.1	213	139
Federal Excise Duty payable on Management Remuneration	7.2	673	77
		<u>1,766</u>	<u>1,014</u>

7.1 The provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

7.2 As per the requirement of Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on management remuneration has been applied effective from June 13, 2013. The management is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. Mutual Fund Association of Pakistan (MUFAP) has taken up the matter collectively and filed a petition with the Honorable Sindh High Court and has been granted stay in this regard. As a matter of abundant caution, the Fund has made the provision against FED.

		(Un-audited) December 31, 2013	(Audited) June 30, 2013
		----- Rupees in '000 -----	
<b>8 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		300	345
Settlement charges payable		19	-
Bank charges		35	10
Brokerage		28	20
Provision for Workers' Welfare Fund		2,702	2,328
Printing charges		25	50
Legal and professional charges		23	40
Others		23	19
		<u>3,155</u>	<u>2,812</u>

## 9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2013.

## 10 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 regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

# NAFA INCOME FUND

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 06, 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 04, 2011 has cancelled ab-initio clarificatory letter dated October 06, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

Furthermore, in 2011 the Honourable Lahore High Court in a Constitutional Petition relating to the amendments brought in WWF Ordinance through the Finance Act 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the Honourable Lahore High Court, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh.

However, without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to record the provision for WWF amounting to Rs.2.702 million in aggregate including Rs.0.374 million for the half year ended December 31, 2013.

## 11 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund intends to distribute such accounting income for the period ending June 30, 2014 to its unit holders. Accordingly, no liability has been recorded in the current period.

## 12 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA OF ASSIGNED CATEGORY

The Securities and Exchange Commission of Pakistan vide its circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
-----Rupees in '000-----							
Agritech Limited II		Term finance certificates (12.1)	149,876	149,876	-	-	0.00%
Agritech Limited V		Term finance certificates (12.1)	22,180	22,180	-	-	0.00%
Worldcall Telecom Limited	Rating is below	Term finance certificates (12.1)	29,982	29,982	-	0.00%	0.00%
Saudi Pak Leasing Company Limited	investment grade	Term finance certificates (12.2)	21,561	-	21,561	4.24%	4.19%
New Allied Electronics Industries (Private) Limited - Sukuk II	as prescribed in clause 9 (v) of the Annexure of circular 7 of 2009	Sukuks (12.1)	49,054	49,054	-	-	0.00%
Eden Housing - Sukuk II		Sukuks (12.1)	26,250	9,151	17,099	3.36%	3.33%

# NAFA INCOME FUND

12.1 At the time of purchase, these term finance certificates and sukuku were in compliance with the aforementioned circular. However, they were subsequently defaulted or were downgraded to non investment grade.

12.2 The TFC is performing but classified as Non-Compliant on the basis of required rating.

## 13 TRANSACTIONS WITH CONNECTED PERSONS

13.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services 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.

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

13.3 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.

Details of Transactions with connected persons are as follows:

------(Un-Audited)-----			
Six year ended		Three year ended	
December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
------(Rupees in '000)-----			

### 13.4 Transactions during the period

#### NBP Fullerton Asset Management Limited - Management Company

Management fee expense for the period	5,043	4,380	2,554	2,252
Sindh sales tax on remuneration of the Management Company	947	701	549	360
FED on remuneration of the Management Company	807	-	409	-

#### MCB Financial Services Limited- Trustee

Remuneration	252	219	128	113
CDS charges	112	-	53	-

#### Akhuwat - SMA

GOP Ijara Sukuk - sold during the period	3,541	-	3,541	-
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#### NBP Employees Pension Fund

Bonus units issued (2,468,211 units; December 31, 2012: Nil)	-	-	-	-
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#### Executives of Management Company

Bonus units issued (67 units; December 31, 2012: Nil)	-	-	-	-
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# NAFA INCOME FUND

	(Un-Audited)	(Audited)
	December 31 2013	June 30, 2013
	------(Rupees in '000)-----	
<b>13.5 Balances outstanding as at period / year end</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management fee payable	868	798
Transfer load payable	12	-
Sindh sales tax payable on remuneration of the Management Company	213	139
Federal Excise Duty payable on remuneration of the Management Company	673	77
<b>National Bank of Pakistan - Sponsor</b>		
Balance in current account	1,923	423
<b>Central Depository Company of Pakistan Limited</b>		
Security deposit	100	100
<b>MCB Financial Services Limited- Trustee</b>		
Remuneration payable	43	40
Security deposit	100	100
<b>NBP Employees Pension Fund</b>		
Investment held in the Fund (47,682,069 units; June 30, 2013: 45,033,858)	451,535	435,261
<b>Executives of Management Company</b>		
Investment held in the Fund (1,204 units; June 30, 2013: 1,137 units)	11	11

## 14 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on Feb 13, 2014 by the Board of Directors of the Management Company.

## 15 GENERAL

15.1 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

*Your investments & "NAFA" grow together*



*Joint - Venture Partners*

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