



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

NAFA INCOME FUND

HALF YEARLY REPORT DECEMBER 31

2014



Your investments & "NAFA" grow together




NBP

National Bank of Pakistan

**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 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
Silk Bank Limited
Dubai Islamic Bank Pakistan Limited
United 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:

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Scheme No. 5, Clifton Karachi.
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(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

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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 INCOME FUND

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NAFA INCOME FUND

DIRECTORS' REPORT

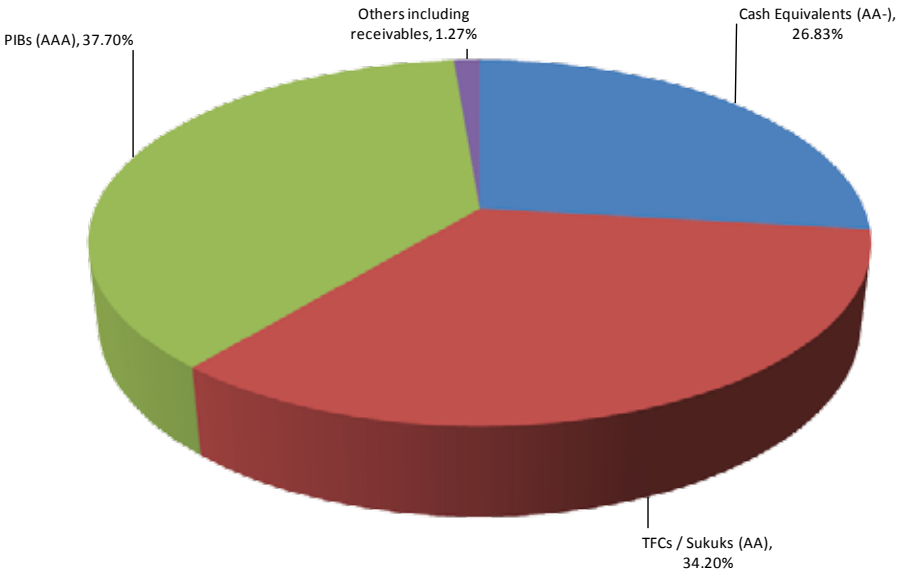
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of NAFA Income Fund (NIF) for the half year ended December 31, 2014.

Fund's Performance

The size of NAFA Income Fund has increased from Rs. 501 million to Rs. 538 million during the period, i.e. an increase of 7.4%. During the period, the unit price of NAFA Income Fund has increased from Rs. 9.3391 on June 30, 2014 to Rs. 10.0199 on December 31, 2014, thus showing an annualized return of 14.46% as compared to its Benchmark (6-Month KIBOR) annualized return of 10.05% for the same period. The performance of the Fund is net of management fee and other expenses.

On the corporate debt sphere, trading activity in TFCs remained skewed towards high quality issues, especially those belonging to the financial sector. Hunt for yields and limited primary issuance kept the yield on the high credit quality corporate bonds depressed. Furthermore, we have seen recoveries from many non-performing corporate bonds with pick-up in economic activity and declining interest rate environment. During the period under review, the State Bank of Pakistan reduced the policy rate by 50bps to 9.5% due to sharp decline in inflation and improved external account position. Sovereign securities responded to the beginning of loose monetary policy period with yields on the PIBs and T-bills declining sharply. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

The Fund has earned total income of Rs.41.86 million during the period. After deducting expenses of Rs.5.32 million, the net income is Rs.36.54 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIF.



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 17, 2015
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 2014 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 18, 2015

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, 2014, 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, 2014 (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, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2014.

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 17, 2015
Place: Karachi

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2014

	Note	Un-audited December 31, 2014	Audited June 30, 2014
------(Rupees in '000)-----			
ASSETS			
Balances with banks	4	144,278	144,582
Investments	5	386,816	350,635
Profit receivable	6	12,701	9,961
Advances, deposits, prepayments and other receivables		318	431
Total assets		544,113	505,609
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	7	2,063	1,206
Payable to MCB Financial Services Limited - Trustee		45	41
Payable to Securities and Exchange Commission of Pakistan		196	380
Accrued expenses and other liabilities	8	3,875	3,193
Total liabilities		6,179	4,820
NET ASSETS		537,934	500,789
UNIT HOLDERS' FUND (As per statement attached)		537,934	500,789
Contingencies and commitments	9		
-----Number of units-----			
Number of units in issue		53,686,659	53,622,892
-----Rupees-----			
Net asset value per unit		10.0199	9.3391

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, 2014

	Note	Six months ended		Three months ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
-----Rupees in '000-----					
INCOME					
Profit on bank deposits and term deposits		6,343	12,317	2,581	7,700
Gain / (loss) on sale of investments - net		380	(90)	260	(136)
Income from term finance certificates and sukuks and commercial paper		16,767	12,698	8,648	6,927
Income from certificate of investment (COI)		-	557	-	-
Income from government securities		9,002	622	5,321	14
Unrealised gain on re-measurement of investments at fair value through profit or loss- held for trading ¹ - net	5.6	9,369	3,022	9,068	1,158
Total income		41,861	29,126	25,878	15,663
EXPENSES					
Remuneration of the NBP Fullerton Asset Management Limited - Management Company	7.1	2,606	5,043	1,326	2,554
Sindh sales tax on remuneration of the Management Company	7.2	454	947	216	549
Federal excise duty (FED) on remuneration of the Management Company	7.3	417	807	212	409
Remuneration of MCB Financial Services Limited - Trustee		261	252	133	128
Annual fee - Securities and Exchange Commission of Pakistan		195	189	99	96
Annual listing fee		20	15	13	7
Securities transaction cost		14	21	0	14
Settlement and bank charges		152	163	50	119
Auditors' remuneration		300	280	178	167
Fund rating fee		133	121	97	62
Impairment loss on term finance certificates		-	2,536	-	2,536
Other expenses		25	39	-	39
Total expenses		4,577	10,413	2,324	6,680
Net income from operating activities		37,284	18,713	23,554	8,983
Provision for Workers' Welfare Fund	10	(746)	(374)	(471)	(179)
Net income for the period before taxation		36,538	18,339	23,083	8,804
Taxation	11	-	-	-	-
Net income for the period after taxation		36,538	18,339	23,083	8,804

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, 2014

	Note	Six months ended		Three months ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
-----Rupees in '000-----					
Net income for the period after taxation		36,538	18,339	23,083	8,804
Other comprehensive income for the period					
Items that may subsequently be reclassified through profit and loss account:					
Net unrealised gain on re-measurement of investments classified as 'available for sale'	5.7	-	-	-	124
Total comprehensive income for the period		<u>36,538</u>	<u>18,339</u>	<u>23,083</u>	<u>8,928</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, 2014

	Six months ended		Three months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
-----Rupees in '000-----				
Accumulated loss brought forward	(27,303)	(11,399)	(13,852)	(29,069)
- Bonus units	-	(27,093)	-	-
- Cash distribution	-	(169)	-	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net	12	62	16	5
Net income for the period	36,538	18,339	23,083	8,804
Undistributed income / (accumulated loss) carried forward	<u>9,247</u>	<u>(20,260)</u>	<u>9,247</u>	<u>(20,260)</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, 2014

	Six months ended		Three months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
-----Rupees in '000-----				
Net assets at the beginning of the period	500,789	489,840	514,099	498,841
Issuance of 480,816 units (2013: 3,625,408 units including 2,961,846 bonus units)	4,642	6,233	3,786	6,233
Redemption of 417,049 units (2013: 563,051 units)	(4,035)	(5,313)	(3,034)	(5,072)
	607	920	752	1,161
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to distribution statement	(12)	(62)	(8)	(4)
Final distribution for the year ended June 30, 2014: Nil (June 30, 2013: 5.379%) by issuance of Nil bonus units (June 30, 2013: 2,961,846 bonus units)	-	27,093	-	-
Total Comprehensive income / (loss) for the period	36,538	18,339	23,083	8,928
- 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	12	62	8	4
Net assets as at the end of the period	<u>537,934</u>	<u>508,930</u>	<u>537,934</u>	<u>508,930</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, 2014

	Six months ended		Three months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
-----Rupees in '000-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period before taxation	36,538	18,339	23,083	8,804
Adjustments				
Unrealised gain on re-measurement of investments 'at fair value through profit or loss- held for trading' - net	(9,369)	(3,022)	(9,068)	(1,158)
(Gain) / loss on sale of investments - net	(380)	90	(380)	90
Impairment loss on term finance certificates and sukuks	-	2,536	-	2,536
	<u>26,789</u>	<u>17,943</u>	<u>13,635</u>	<u>10,272</u>
(Increase) / decrease in assets				
Investments - net	(26,432)	114,677	(4,463)	27,515
Profit receivable	(2,740)	1,143	(4,737)	1,370
Advances, deposits, prepayments and other receivables	113	107	109	78
	(29,059)	115,927	(9,091)	28,963
(Decrease) / increase in liabilities				
Payable to the Management Company	857	752	235	553
Payable to the Trustee	4	3	3	2
Payable to Securities and Exchange Commission of Pakistan	(184)	(152)	100	96
Accrued expenses and other liabilities	682	343	252	27
	1,359	946	590	679
Net cash (used in) / generated from operating activities	<u>(911)</u>	<u>134,816</u>	<u>5,134</u>	<u>39,914</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Amounts received from issuance of units	4,642	6,233	3,786	6,233
Amounts paid on redemption of units	(4,035)	(5,313)	(3,034)	(5,072)
Distribution paid	-	(169)	-	-
Net cash generated from financing activities	<u>607</u>	<u>751</u>	<u>752</u>	<u>1,161</u>
Net (decrease) / increase in cash and cash equivalents during the period	(304)	135,567	5,886	41,075
Cash and cash equivalents at the beginning of the period	144,582	182,806	138,392	277,298
Cash and cash equivalents as at the end of the period	<u>144,278</u>	<u>318,373</u>	<u>144,278</u>	<u>318,373</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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

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 is situated at 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 long term stability rating 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, 2014.

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, 2014.

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, 2014.

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, 2014.

4 BALANCES WITH BANKS

	Note	(Un-Audited) December 31 2014	(Audited) June 30, 2014
(Rupees in '000)			
Current accounts		423	423
Savings accounts	4.1	143,855	144,159
		144,278	144,582

4.1 These carry a rate of return ranging from 6.5% to 10.75% (June 30, 2014: 6% to 10.1%) per annum.

5 INVESTMENTS

	Note	(Un-Audited) December 31 2014	(Audited) June 30, 2014
(Rupees in '000)			
At fair value through profit or loss - held for trading		118,857	108,200
Term finance certificates - listed	5.1.3	14,428	14,066
Term finance certificates - unlisted	5.2	50,715	51,475
Sukuk certificates	5.3	202,816	138,621
Government securities		386,816	312,362
Available for sale		-	-
Term finance certificates - listed	5.4	-	-
Sukuk certificates	5.5	-	-
		-	-
Loans and receivables		-	-
Investment in Commercial paper		-	38,273
		386,816	350,635

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	Note	Number of Certificates				Market value as at December 31, 2014	Investment as a percentage of		
		As at July 1, 2014	Purchases during the period	Sale during the period	As at December 31, 2014		Net assets	Market value of total investments	Issue size
Rupees in '000						-----%-----			
Saudi Pak Leasing Company Limited	5.1.2	15,000	-	-	15,000	-	-	-	10.00
Bank Alfalah Limited		2,000	-	-	2,000	10,179	1.89	2.63	0.20
Faysal Bank Limited		5,000	-	-	5,000	25,711	4.78	6.65	0.83
Allied Bank Limited		2,000	-	-	2,000	9,763	1.81	2.52	0.33
Engro Fertilizer Limited(30-11-07)		6,404	-	6,404	-	-	-	-	0.00
Engro Fertilizer Limited(17-12-2009)		600	-	-	600	2,052	0.38	0.53	0.15
Jahangir Siddiqui and Company Ltd.(8-04-14)		5,000	-	-	5,000	23,700	4.41	6.13	2.50
Jahangir Siddiqui and Company Ltd.(30-10-12)		1,000	-	-	1,000	2,452	0.46	0.63	0.87
Hascol Petroleum Limited		-	9,000	-	9,000	45,000	8.37	11.63	10.00
Total as at December 31, 2014						118,857	43.25	19.09	5.89
Carrying Value before mark to market as at December 31, 2014						<u>119,793</u>			

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. In prior year, the investee company again defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset (NPA) by MUFAP since April 31, 2014. 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 said circular.

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	Note	As at July 1, 2014	Purchases during the period	Sale during the period	As at December 31, 2014	Market value as at December 31, 2014	Net assets	Market value of total investments	Issue size
Rupees in '000						-----%-----			
Engro Fertilizers Limited PRP I		2,900	-	-	2,900	14,428	2.68	3.73	0.36
Agriotech Limited II	5.1.4	30,000	-	-	30,000	-	-	-	-
Agriotech Limited V	5.1.5	4,436	-	-	4,436	-	-	-	-
Total as at December 31, 2014						14,428	2.68	3.73	0.36
Carrying Value before mark to market as at December 31, 2014						<u>186,121</u>			
Accumulated impairment						<u>172,056</u>			

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 and accordingly has been classified as NPA by MUFAP since August 2, 2010. 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 Agriotech V received against due markup of Agriotech I. The management has classified these PPTFC's as non-performing. The investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since January 17, 2012. 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-14			30-Jun-14		
		Outstanding Balance	Provision Held	Net Carrying Value	Outstanding Balance	Provision Held	Net Carrying Value
-----Rupees in '000-----							
Saudi Pak Leasing Company Limited		41,322	(41,322)	-	41,322	(41,322)	-
Agritech Limited II		149,876	(149,876)	-	149,876	(149,876)	-
Agritech Limited V		22,180	(22,180)	-	22,180	(22,180)	-

5.1.8 These carry rate of return ranging from 6.87% to 14.54% (June 30 2014: 6.87% to 14.54%) per annum.

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

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

Name of the investee company	Note	Number of Bonds				Market value as at December 31, 2014	Investment as a percentage of		
		As at July 1, 2014	Purchases during the period	Sale during the period	As at December 31, 2014		Net assets	Market value of total investments	Issue size
Rupees in '000							-----%-----		
New Allied Electronics Industries (Private) Limited	5.2.1	10,000	-	-	10,000	-	-	-	-
K-Electric AZM Sukuk		10,000	-	200	9,800	50,715	9.43	13.11	1.30
Total as at December 31, 2014						<u>50,715</u>	-	-	-
Carrying Value before mark to market as at December 31, 2014						<u>99,500</u>			
Accumulated impairment						<u>49,054</u>			

5.2.1 This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since January 9, 2009. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.2.2 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:

Name of the investee company	Note	31-Dec-14			30-Jun-14		
		Outstanding Balance	Provision Held	Net Carrying Value	Outstanding Balance	Provision Held	Net Carrying Value
-----Rupees in '000-----							
New Allied Electronics Limited		49,054	(49,054)	-	-	-	-

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, 2014	Investment as a percentage of	
		As at July 1, 2014	Purchases during the period	Sale / matured during the period	As at December 31, 2014		Net assets	Market value of total investments
Rupees in '000							-----%-----	
Market Treasury Bills								
November 13, 2014	03 Months	-	100,000	100,000	-	-	-	-
Pakistan Investment Bond								
August 18, 2011	3 Years	500	-	500	-	-	-	-
July 18, 2013	3 Years	140,000	-	140,000	-	-	-	-
July 17, 2014	3 Years	-	222,500	50,000	172,500	178,934	33.26	46.26
July 17, 2014	5 Years	-	22,500	-	22,500	23,882	4.44	6.17
Total as at December 31, 2014						<u>202,816</u>	<u>37.70</u>	<u>52.43</u>
Carrying Value before mark to market as at December 31, 2014						<u>193,143</u>		

NAFA INCOME FUND

5.3.1 These carry rate of return ranging from 11.25% to 11.50% (June 30, 2014: 11.25%)

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, 2014 Rupees in '000	Investment as a percentage of		
	As at July 1, 2014	Purchases during the period	Sale during the period	As at December 31, 2014		Net assets	Market value of total investments	Issue size
Worldcall Telecom Limited (note 5.4.1)	14,000	-	-	14,000	-	-	3.00	
Total as at December 31, 2014					<u>-</u>	<u>-</u>	<u>-</u>	
Carrying Value before mark to market as at December 31, 2014					<u>29,982</u>			
Accumulated impairment					<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. 1 of 2009 and circular no. 33 of 2012 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 Sukus - available for sale

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

Name of the investee company	Number of certificates / bonds				Market value as at December 31, 2014 Rupees in '000	Investment as a percentage of		
	As at July 1, 2014	Purchases during the period	Sale during the period	As at December 31, 2014		Net assets	Market value of total investments	Issue size
Eden Housing Limited (note 5.5.1)	20,000	-	-	20,000	-	-	13.70	
Carrying Value before mark to market as at December 31, 2014					<u>19,688</u>			
Accumulated impairment					<u>19,688</u>			

5.5.1 This represents investment in privately placed sukuk bonds with a term of five years. On May 6, 2011, the issuer defaulted its scheduled principal and profit payment and therefore it was classified as 'Non Performing Asset' (NPA) by MUFAP. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.5.2 The sukus 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, 2014	(Audited) June 30, 2014
----- Rupees in '000 -----			
5.6 Unrealised gain / (loss) on re-measurement of investments 'at fair value through profit or loss- held for trading' - net			
Market value of investments	5.1.1, 5.1.3, 5.2 & 5.3	386,816	312,362
Less: Carrying value of investments		(598,557)	(572,226)
		<u>(211,741)</u>	<u>(259,864)</u>
Add: Reversal of unrealised loss		-	22,741
Add: Provision against non-performing term finance certificates and sukus		221,110	262,432
		<u>9,369</u>	<u>25,309</u>
5.7 Unrealised gain in fair value of investments classified as 'available for sale' - net			
Market value of investments		-	-
Less: Cost of investments		49,670	49,670
		<u>(49,670)</u>	<u>(49,670)</u>
Add: Provision against non-performing term finance certificates and sukus		49,670	49,670
		<u>-</u>	<u>-</u>
5.8 Movement in provision against investment			
Opening balance		312,102	257,708
Add: Charge for the period		-	54,394
Closing balance		<u>312,102</u>	<u>312,102</u>
Provision related to investments classified			
at 'fair value through profit or loss - held for trading'		262,432	262,432
Provision related to investments classified at 'available for sale'		49,670	49,670
Closing balance		<u>312,102</u>	<u>312,102</u>
6 PROFIT RECEIVABLE			
Profit on savings and term deposits		41	577
Profit receivable on:			
- Term finance certificate and sukus		105,762	90,745
- Government securities		10,123	7,097
Less: Income suspended over non-performing debt securities.		(103,225)	(88,458)
		<u>12,660</u>	<u>9,384</u>
		<u>12,701</u>	<u>9,961</u>

NAFA INCOME FUND

		(Un-audited) December 31, 2014	(Audited) June 30, 2014
	Note	----- Rupees in '000 -----	
7	PAYABLE TO NBP FULLERTON MANAGEMENT LIMITED - MANAGEMENT COMPANY		
	Management remuneration payable to Management Company	7.1	453
	Front end load payable		12
	Sindh sales tax payable on management remuneration	7.2	67
	Federal Excise Duty payable to Management Company	7.3	1,531
			<u>2,063</u>
			<u>1,114</u>
7.1	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulation), the Management Company of the Fund is entitled to a remuneration during the first five 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. On Mar 27, 2013, the Fund has completed its five years and accordingly the management Company has charged its remuneration at the rate of 2% per annum. During the current year from January 16, 2014, the Management Company has further decreased the rate of remuneration to 1% per annum. The remuneration is paid on a monthly basis in arrears.		
7.2	This represents amount payable in respect of Sindh Sales Tax at the rate of 15% (June 30, 2014: 16%) on the services provided by the Management Company as required by Sindh Sales Tax on Services Act, 2011.		
7.3	As per the requirement of Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services provided by the Management Company has been levied effective from June 13, 2013. During the year demand notices were received by some asset management companies for collection of FED. 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. In prior year, the Management Company has also received a notice under section 14 of the Federal Excise Act, 2005 regarding payment of FED on management remuneration. The Management Company is of the view that since the services are 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. Therefore, the Management Company has also filed a petition against the demand notice in the Honorable High Court of Sindh and has been granted stay on the basis of the pending constitutional petition from MUFAP in the said court as referred above. However, as a matter of abundant caution, the Fund has made the provision against FED.		
		Note	(Un-audited) December 31, 2014
			(Audited) June 30, 2014
			----- Rupees in '000 -----
8	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration		332
	Settlement charges		32
	Bank charges		29
	Brokerage		15
	Provision for Workers' Welfare Fund (WWF)	10	3,305
	Printing charges		66
	Legal and professional charges		75
	Others		21
			<u>3,875</u>
			<u>3,193</u>

9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2014.

NAFA INCOME FUND

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.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 15 July 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.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honourable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF. Total provision for WWF as at December 31, 2014 amounting to Rs. 3.305 million (June 30, 2014: 2.559 million) including Rs. 0.746 million charge for the period has been recorded by the Fund. Had the same not been made the net asset value per unit/return of the Fund would have been higher by Rs. 0.0616/0.61% (June 30, 2014: 0.0477 / 0.52%) per unit.

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 (excluding distribution made by issuance of bonus units). 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 year ending June 30, 2015 to its unit holders. Accordingly, no liability has been recorded in the current period.

NAFA INCOME FUND

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

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

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	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Term finance certificates (12.1)	149,876	149,876	-	-	-
Agritech Limited V	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Term finance certificates (12.1)	22,180	22,180	-	-	-
Worldcall Telecom Limited	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Term finance certificates (12.1)	29,982	29,982	-	-	-
Saudi Pak Leasing Company Limited	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Term finance certificates (12.1)	41,321	41,321	-	-	-
New Allied Electronics Industries (Private) Limited - Sukuk II	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Sukuku (12.1)	49,054	49,054	-	-	-
Eden Housing - Sukuk II	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Sukuku (12.1)	19,688	19,688	-	-	-

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 management is taking steps to ensure compliance with the above requirements.

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.

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

NAFA INCOME FUND

------(Un-Audited)-----			
Six months ended		Three months ended	
December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
------(Rupees in '000)-----			

13.5 Details of Transactions with connected persons are as follows:

Transactions during the period

NBP Fullerton Asset Management Limited - Management Company

Remuneration of the Management Company	2,606	5,043	1,326	2,554
Sindh sales tax on remuneration of the Management Company	454	947	216	549
Federal Excise Duty on remuneration of Management Company	417	807	212	409

MCB Financial Services Limited- Trustee

Remuneration	261	252	133	128
CDS charges	142	112	73	53

Akhuwat - Discretionary portfolio managed by Management Company

Sales of GOP Ijara Sukuk	-	3,541	-	3,541
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Executives of Management Company

Bonus units issued: Nil (December 31, 2013: 67 units)	-	-	-	-
Units issued / transferred in: 73,327 units (December 31, 2013: Nil)	708		352	
Units redeemed / transferred out: 17,006 units (December 31, 2013: Nil)	162	-	12	-

National Bank of Pakistan - Sponsor

Purchased of Pakistan Investment Bond	44,101		-	-
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NAFA Government Securities Liquid Fund

Sales of Market Treasury Bills	98,943		98,943	
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NAFA INCOME FUND

	(Un-Audited)	(Audited)
	December 31 2014	June 30, 2014
	------(Rupees in '000)-----	
13.6 Balances outstanding as at period / year end are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Management remuneration payable to Management Company	453	69
Front end load payable	12	12
Sindh sales tax payable on management remuneration	67	11
Federal Excise Duty payable to Management Company	1,531	1,114
National Bank of Pakistan - Sponsor		
Balance in current account	423	423
Employees of Management Company		
Investment held in the Fund: 58,560 units (June 30, 2014: 2,239 units)	587	21
MCB Financial Services Limited- Trustee		
Remuneration payable	45	41
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund: 47,682,069 units (June 30, 2014: 47,682,069)	477,770	445,308

14 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 17, 2015 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

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