



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

NAFA INCOME FUND

QUARTERLY REPORT SEPTEMBER 30

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

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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

NAFA INCOME FUND

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, 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

DIRECTORS' REPORT

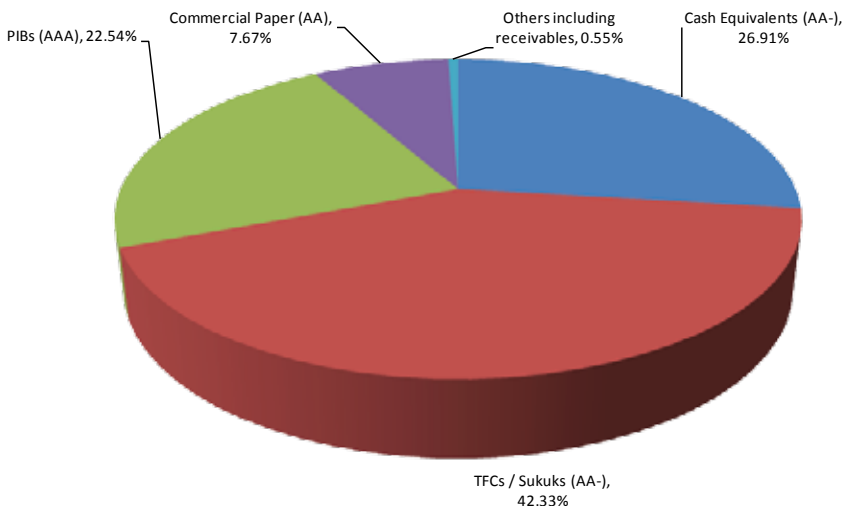
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Fund (NIF)** for the quarter ended September 30, 2014.

Fund's Performance

The size of NAFA Income Fund has increased from Rs. 501 million to Rs. 514 million during the quarter, i.e. an increase of 2.66%. During the said quarter, the unit price of NAFA Income Fund has increased from Rs. 9.3391 on June 30, 2014 to Rs. 9.5900 on September 30, 2014, thus showing an annualized return of 10.66% as compared to its Benchmark (6-Month KIBOR) annualized return of 10.18% for the same period.

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

The Fund has earned total income of Rs.15.98 million during the period. After deducting expenses of Rs.2.52 million, the net income is Rs.13.46 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: October 30, 2014
Place: Karachi.

NAFA INCOME FUND

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

	Note	Un-audited September 30, 2014	Audited June 30, 2014
------(Rupees in '000)-----			
Assets			
Balances with banks		138,392	144,582
Investments	4	372,905	350,635
Profit receivable	5	7,964	9,961
Advances, deposits, prepayments and other receivables		427	431
Total assets		519,688	505,609
Liabilities			
Payable to Management Company		1,828	1,206
Payable to Trustee		42	41
Payable to Securities and Exchange Commission of Pakistan		96	380
Accrued expenses and other liabilities	6	3,623	3,193
Total liabilities		5,589	4,820
Net Assets		514,099	500,789
Unit Holders' Fund (As per statement attached)		514,099	500,789
Contingencies and Commitments			
-----Number of units-----			
Number of units in issue		53,607,860	53,622,892
-----Rupees-----			
Net asset value per unit		9.5900	9.3391

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (Un-audited)

Note	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	------(Rupees in '000)-----	
INCOME		
Gain on sale of investments - net	120	46
Income from term finance certificates, sukuk bonds and commercial papers	8,119	5,771
Income from certificates of investments	-	557
Profit on bank deposits	3,762	4,617
Income from Government Securities	3,681	608
Unrealised gain on investments at fair value through profit or loss - net	301	1,864
Total income	15,983	13,463
EXPENSES		
Remuneration of Management Company	1,280	2,489
Sindh sales tax on remuneration of the Management Company	238	398
FED on remuneration of the Management Company	205	398
Remuneration of Trustee	128	124
Annual fee - Securities and Exchange Commission of Pakistan	96	93
Settlement and bank charges	90	44
Annual listing fee	7	8
Auditors' remuneration	122	113
Legal & Professional Charges	12	-
Printing and related cost	25	-
Fund Rating Fee	36	59
Brokerage	14	7
Total expenses	2,253	3,733
Net income from operating activities	13,730	9,730
Provision for Workers' Welfare Fund	(275)	(195)
Net income for the period before taxation	13,455	9,535
Taxation	7	-
Net income for the period after taxation	13,455	9,535
Earnings per unit	9	

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

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

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	------(Rupees in '000)-----	
Net income for the period after taxation	13,455	9,535
Other comprehensive income		
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	-	(124)
Total comprehensive income for the year	<u>13,455</u>	<u>9,411</u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (Un-audited)

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	------(Rupees in '000)-----	
(Accumulated losses) / undistributed income brought forward	(27,303)	(11,399)
Final distribution for the period ended June 30, 2014 : Nil (2013: 5.379%)		
- Bonus units	-	(27,093)
- Cash Distribution	-	(169)
Net income for the period	13,455	9,535
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' fund	(4)	57
	13,451	9,592
(Accumulated losses) / undistributed income carried forward	(13,852)	(29,069)

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

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

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	------(Rupees in '000)-----	
Net assets at the beginning of the year	500,789	489,840
Issued 90,433 units (September 13 : Nil units)	856	-
Redemption of 105,465 units (September 30, 2013: 26,253 units)	(1,001) (145)	(241) (241)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing income that form part of the unit holders' fund	(4)	57
- transferred to Distribution Statement	(4)	57
Final distribution for the period ended June 30, 2014 : Nil (2013: 5.379%) Issued bonus units: Nil (2013 : 2,961,846)	-	27,093
Net unrealised diminution in the market value of investments classified as 'available for sale'	-	(124)
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' fund	4	(57)
Gain on sale of investments	120	46
Unrealised diminution in the value of investments at fair value through profit or loss - net	301	1,864
Other net income for the period	13,034	7,625
Final distribution for the period ended June 30, 2014 : Nil (2013: 5.379%)		
- Bonus units	-	(27,093)
- Cash distribution	-	(169)
	13,459	(17,784)
Net assets as at the end of the period	<u>514,099</u>	<u>498,841</u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

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

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	13,455	9,535
Adjustments		
Unrealised loss on investments at fair value through profit or loss - net	(301)	(1,864)
	<u>13,154</u>	<u>7,671</u>
Decrease / (Increase) in assets		
Investments	(21,969)	87,162
Profit receivable	1,997	(227)
Advances, deposits, prepayments and other receivables	4	29
	<u>(19,968)</u>	<u>86,964</u>
Increase / (decrease) in liabilities		
Payable to Management Company	622	198
Payable to Central Depository Company of Pakistan Limited - Trustee	1	1
Payable to Securities and Exchange Commission of Pakistan	(284)	(248)
Accrued expenses and other liabilities	430	316
	<u>769</u>	<u>267</u>
Net cash inflow from / (used in) operating activities	<u>(6,045)</u>	<u>94,902</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	856	-
Payments on redemption of units	(1,001)	(241)
Distributions paid	-	(169)
Net cash (outflow) / inflow from financing activities	<u>(145)</u>	<u>(410)</u>
Net (decrease) / increase in cash and cash equivalents during the year / period	<u>(6,190)</u>	<u>94,492</u>
Cash and cash equivalents at the beginning of the period	144,582	182,806
Cash and cash equivalents at the end of the period	<u><u>138,392</u></u>	<u><u>277,298</u></u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (Un-audited)

1 LEGAL STATUS AND NATURE OF BUSINESS

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. Chundrigarh 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 the Mutual Fund Association of Pakistan (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 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 trustee of the Fund.

2 STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulation or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

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

3 ACCOUNTING POLICIES

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

NAFA INCOME FUND

	Note	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
-----Rupees in '000-----			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1.1	152,768	108,200
Term finance certificates - unlisted	4.1.1	14,464	14,066
Sukuk bonds	4.2	50,386	51,475
Market Treasury Bills	4.3	115,880	138,621
		333,498	312,362
Available for sale			
Term finance certificates - listed	4.4	-	-
Sukuk bonds	4.4	-	-
		-	-
Loans and receivables			
Investment in commercial paper		39,407	38,273
		<u>372,905</u>	<u>350,635</u>

4.1 Term finance certificates and sukuk bonds

4.1.1 Term finance certificates - At fair value through profit or loss

Name of the investee company	Number of Certificates				Market value as at September 30, 2014	Investment as a percentage of		
	As at July 1, 2014	Purchases during the period	Sale during the period	As at September 30, 2014		Net assets	Market value of total investments	Issue size
					Rupees in '000	-----%-----		
Term finance certificates - listed								
Saudi Pak Leasing Company Limited (note 4.2.2)	15,000	-	-	15,000	-	-	-	6.63%
Bank Alfalah Limited	2,000	-	-	2,000	10,419	2.03%	2.79%	0.20%
Faysal Bank Limited	5,000	-	-	5,000	25,709	5.00%	6.89%	0.20%
Allied Bank Limited	2,000	-	-	2,000	9,763	1.90%	2.62%	1.42%
Engro Fertilizers Limited (30.11.07)	6,404	-	-	6,404	31,716	6.17%	8.51%	1.20%
Engro Fertilizers Limited (17.12.09)	600	-	-	600	2,382	0.46%	0.64%	1.20%
Jahangir Siddiqui and Company Limited (08-04-14)	5,000	-	-	5,000	24,670	4.80%	6.62%	-
Jahangir Siddiqui and Company Limited (30-10-12)	1,000	-	-	1,000	3,109	0.60%	0.83%	-
Hascol Petroleum Limited (28-08-14)	-	9,000	-	9,000	45,000	8.75%	12.07%	-
				<u>46,004</u>	<u>152,768</u>	<u>29.72%</u>	<u>40.97%</u>	
Term finance certificates - unlisted								
Engro Fertilizers Pakistan Limited	2,900	-	-	2,900	14,464	2.81%	3.88%	0.62%
Agritech Limited II (note 4.2.3)	30,000	-	-	30,000	-	-	-	-
Agritech Limited V (note 4.2.4)	4,436	-	-	4,436	-	-	-	-
				<u>37,336</u>	<u>14,464</u>	<u>2.81%</u>	<u>3.88%</u>	
				<u>83,340</u>	<u>167,232</u>	<u>32.53%</u>	<u>44.85%</u>	
Carrying cost of investments as at September 30, 2014					<u>380,642</u>			
Accumulated Impairment					<u>213,377</u>			

NAFA INCOME FUND

4.2 Sukuk bonds - At fair value through profit or loss

Name of the investee company	As at July 1, 2014	Purchases during the period	Sale during the period	As at September 30, 2014	Market value as at September 30, 2014	Net assets	Market value of total investments	Issue size
New Allied Electronics Industries (Private) Limited (note 4.2.5)	10,000	-	-	10,000	-	-	-	-
K-Electric AZM Sukuk	10,000	-	200	9,800	50,386	9.80%	13.51%	-
				19,800	50,386	9.80%	13.51%	
Carrying cost of investments as at September 30, 2014						99,500		
Accumulated Impairment						49,054		

4.2.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.

4.2.2 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 terms on December 26, 2011 with new maturity in March 2017. During the year, the investee company again 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.

4.2.3 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 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.2.4 This represents investment in privately placed term finance certificates 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 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.2.5 This represents investment in privately placed sukuks with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of profit repayment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.3 Market Treasury Bills

Issue date	Face value					Market Value as at September 30, 2014	Investment as a percentage of	
	Tenor	As at July 1, 2014	Purchases during the period	Sales / matured during the period	As at September 30, 2014		Net assets	Market value of total investments
						Rupees in '000	-----%	-----
Pakistan Investment Bond								
August 18, 2011	3 Years	500	-	500	-	-	-	-
July 18, 2013	3 Years	140,000	-	140,000	-	-	22.54%	31.07%
July 17, 2014	3 Years	-	169,000	50,000	119,000	115,880		
						115,880		
Carrying cost of investments as at September 30, 2014						115,486		

NAFA INCOME FUND

4.4 Term Finance Certificates and Sukuk Bonds - Available for Sale

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2014	Investment as a percentage of		
	As at July 1, 2014	Purchases during the period	Sales/ matured during the period	As at September 30, 2014		Net assets	Market value of total investments	Issue size
Rupees in '000 ------%-----								
Term finance certificate - listed								
Worldcall Telecom Limited (note 4.4.2)	14,000	-	-	14,000	-	-	-	1.00%
				<u>14,000</u>				
Carrying cost of investments as at September 30, 2014					<u>29,982</u>			
Accumulated Impairment					<u>29,982</u>			
Sukuk bonds								
Eden Housing Limited (note 4.4.3)	20,000	-	-	20,000	-	-	-	2.91%
				<u>20,000</u>				
Carrying cost of investments as at September 30, 2014					<u>19,688</u>			
Accumulated Impairment					<u>19,688</u>			

4.4.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.

4.4.2 This represents investment in listed term finance certificates of Worldcall Telecom Ltd. 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.

4.4.3 This represents investment in privately placed sukuk holders due to which it was rated as 'Defaulter' by the MUFAP. The management of the Fund as a matter of abundant caution has classified the investment as "Non-Performing". The amount of provision required as per SECP circular no. 01 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

Note	(Un-Audited)	(Audited)
	September 30, 2014	June 30, 2014
	-----Rupees in '000-----	

5 PROFIT RECEIVABLE

Profit on savings and term deposit accounts	88	577
Income accrued on term finance certificates and sukuk bonds - net	5,089	2,287
Profit receivable on government securities	2,787	7,097
	<u>7,964</u>	<u>9,961</u>

6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditor's remuneration	482	360
Settlement charges payable	25	25
Bank charges payable	47	32
Brokerage	27	21
WWF	2,834	2,559
Printing charges payable	125	100
Legal and professional charges	62	50
Annual listing fee payable	-	-
Other Payable	21	46
	<u>3,623</u>	<u>3,193</u>

7 Taxation

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

NAFA INCOME FUND

8 PROVISION FOR WORKERS' WELFARE FUND

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

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

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgment, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 2.834 million (including Rs. 0.275 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at September 30, 2014 would have been higher by Rs 0.0529 per unit.

9 EARNINGS PER UNIT

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

10 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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 Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest at least 25% of the net assets in cash and near cash instruments which include cash in bank accounts(excluding TDRs), treasury bills not exceeding 90 days maturity . Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at September 30, 2011, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
-----Rupees in '000-----						
Investment in Debe Securities	New Allied Electronics (Pvt) Ltd II	49,054	49,054	-	-	-
	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Eden Housing Ltd.	19,688	19,688	-	-	-
	Saudi Pak Leasing Co. **	41,321	41,321	-	-	-
	Worldcall Telecom Limited.	29,982	29,982	-	-	-
			<u>312,101</u>	<u>312,101</u>		

NAFA INCOME FUND

10.1 At the time of purchase, the above Term Finance Certificates were in compliance with the circular (i.e. investment grade) and was subsequently downgraded. In case of New Allied Electronics Industries (Private) Limited, Agri Tech Limited and Eden Housing Limited the downgrading has been made due to default in payments of due principal and markup.

11 TRANSACTIONS WITH CONNECTED PERSONS

11.1 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.

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

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

11.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

----- (Un-Audited) -----

Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
-----Rupees in '000-----	

11.5 Details of the transactions with connected persons are as follows:

NBP Fullerton Asset Management Limited - Management company

Management fee expense for the year / period	1,280	2,489
Sindh Sales Tax on remuneration of the management company	238	398
FED on remuneration of the management company	205	398

National Bank of Pakistan - Sponsor

Purchased PIB	44,101	-
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MCB Financial Services Limited - Trustee

Remuneration	128	124
CDS charges	69	59

Employees of Management Company

Issued bonus Nil units (2013: 67 units)	-	-
Units issued / transferred in 37,583 units	356	-
Units redeemed / transferred out 15,802 units	150	-

NBP Employees Pension Fund

Issued bonus Nil units (2013: 2,648,211 units)	-	-
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NAFA INCOME FUND

	Un-audited As at September 30, 2014	Audited As at June 30, 2014
	-----Rupees in '000-----	
11.6 Amounts outstanding as at year / period end		
NBP Fullerton Asset Management Limited - Management company		
Management fee payable	421	69
Sindh sales tax	77	11
Federal Excise Duty payable on Management Remuneration	1,318	1,114
Front end load	12	12
National Bank of Pakistan - Sponsor		
Balance in current account	423	423
Employees of the Management Company		
Investment held in the fund 24,021 units (June 30, 2014 : 1,137 units)	230	21
MCB Financial Services Limited - Trustee		
Remuneration payable	42	41
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund (47,682,069 units; June 30, 2014: 47,682,069 units)	457,271	445,308

12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 30, 2014.

13 GENERAL

- 13.1 Corresponding figures have been rearranged wherever necessary, for the purposes of comparison and better presentation.
- 13.2 Figures have been rounded off to the nearest thousand rupees.
- 13.3 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

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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