



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

Your investments & "NAFA" grow together




Joint - Venture Partners

NAFA FINANCIAL SECTOR INCOME FUND

QUARTERLY REPORT
SEPTEMBER 30
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.

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NAFA FINANCIAL SECTOR INCOME FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Khalid Mahmood	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	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. Khalid Mahmood	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shahra-e-Faisal, Karachi.

Bankers to the Fund

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

NAFA FINANCIAL SECTOR INCOME FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town,
Lahore.

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 FINANCIAL SECTOR INCOME FUND

DIRECTORS' REPORT

The Board of Directors of **NBP Fullerton Asset Management Limited** is pleased to present the unaudited financial statements of **NAFA Financial Sector Income Fund (NFSIF)** for the quarter ended September 30, 2013.

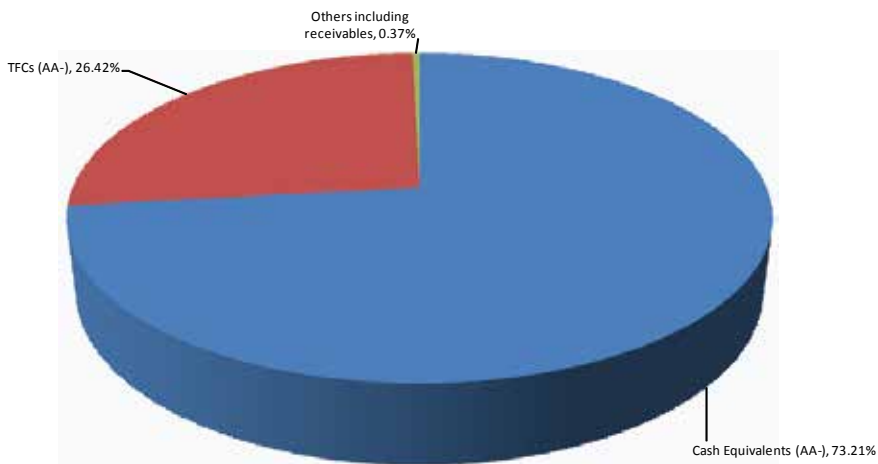
Fund's Performance

The size of NAFA Financial Sector Income Fund has increased from Rs. 4,962 million to Rs. 4,992 million during the quarter, i.e. a growth of 0.59%. During the quarter, the unit price of the Fund has increased from Rs. 10.2664 (Ex-Div) on June 30, 2013 to Rs. 10.4644 on September 30, 2013, thus showing an annualized simple return of 7.65% as compared to its Benchmark (70% 6 month KIBOR & 30% average 3 month deposit rates of A & above rated banks) annualized simple return of 8.34% for the same period.

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

NFSIF is predominantly invested in AA category floating rate TFCs belonging to financial sector with coupon income linked to KIBOR. Therefore, any increase in interest rates will improve the coupon income of the TFC portfolio. In the secondary market Trading activity was mainly witnessed in the Financial sector TFCs.

The Fund has earned total income of Rs.124.77 million during the period. After deducting expenses of Rs.29.52 million, the net income is Rs.95.25 million. The asset allocation of the Fund as on September 30, 2013 is as follows:



NAFA FINANCIAL SECTOR INCOME FUND

Income Distribution

The Board of Directors of the Management Company has approved an interim distribution of 1.50% of opening ex-NAV (1.54% of the par value) for the quarter ended September 30, 2013.

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, 2013

Place: Karachi.

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT SEPTEMBER 30, 2013

	Note	(Un-audited) September 30, 2013	(Audited) June 30, 2013
ASSETS			
Balances with banks		3,654,078	1,321,210
Investments	4	1,318,831	2,634,567
Profit receivable	5	47,176	62,690
Preliminary expenses and floatation costs		672	726
Security deposit		100	100
Receivable against sale of units		2,911	964,360
Prepayments and other receivables		84	129
Total assets		5,023,852	4,983,782
LIABILITIES			
Payable to the Management Company		11,493	7,819
Payable to Central Depository Company of Pakistan Limited - Trustee		419	352
Payable to the Securities and Exchange Commission of Pakistan		943	2,776
Payable against redemption of units		6,946	-
Accrued expenses and other liabilities	6	12,519	10,501
Total liabilities		32,320	21,448
NET ASSETS		<u><u>4,991,532</u></u>	<u><u>4,962,334</u></u>
Unit holders' fund (as per statement attached)		<u><u>4,991,532</u></u>	<u><u>4,962,334</u></u>
CONTINGENCIES AND COMMITMENTS	9	----- Number of Units -----	
Number of units in issue		<u><u>476,999,852</u></u>	<u><u>482,880,329</u></u>
		----- Rupees -----	
Net asset value per unit		<u><u>10.4644</u></u>	<u><u>10.2765</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 FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

	Note	Quarter ended September 30, 2013	Quarter ended September 30, 2012
INCOME			
Capital gain on sale of investments - net		73	599
Income from term finance certificates		48,858	60,998
Income from government securities		4,530	23,542
Profit on bank and term deposit receipts		61,869	6,508
Income on money market placements		816	2,285
Income from certificate of investments		6,680	1,155
Net unrealised appreciation in the value of investments classified as financial assets at fair value through profit or loss ¹		1,941	3,436
Other income		-	227
Total income		124,767	98,750
EXPENSES			
Remuneration of the Management Company		18,862	11,825
Sindh sales tax on remuneration of the Management Company		3,018	1,892
Federal excise duties on remuneration of the Management Company		3,018	-
Remuneration of the Trustee		1,283	884
Annual fee - Securities and Exchange Commission of Pakistan		943	591
Securities transaction cost		26	92
Settlement and bank charges		190	109
Annual listing fee		10	10
Auditors' remuneration		121	127
Printing charges		-	47
Fund's Rating fee		50	56
Amortisation of preliminary expenses and floatation costs		55	55
Total expenses		27,576	15,688
Net income from operating activities		97,191	83,062
Provision for Workers' Welfare Fund	8	(1,944)	(1,661)
Net income for the period before taxation		95,247	81,401
Taxation	10	-	-
Net income for the period after taxation		95,247	81,401
Earnings per unit	7		

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Net income for the period after taxation	95,247	81,401
Other comprehensive income for the period		-
Total comprehensive income for the period	<u>95,247</u>	<u>81,401</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Accumulated income brought forward		
- Realised income	104,392	94,644
- Unrealised income	2,382	17,699
	<u>106,774</u>	<u>112,343</u>
Net income for the period after taxation	95,247	81,401
Element of (loss) / Income and Capital (losses) / gains included in the prices of units issued less those in units redeemed	(776)	6,574
Final distribution for the year ended June 30, 2013: 0.1010% (June 30, 2012 : 3.00%) Date of Distribution: July 11, 2013		
- Bonus units	(2,463)	(35,968)
- Cash distribution	(2,438)	(44,925)
	<u>196,344</u>	<u>119,425</u>
Undistributed income carried forward		
Undistributed income comprising of :		
- Realised income	194,403	115,989
- Unrealised income	1,941	3,436
	<u>196,344</u>	<u>119,425</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Net assets at the beginning of the period	4,962,334	2,767,667
Issue of 44,049,413 units (2012: 79,263,976 units)	456,880	776,574
Redemption of 50,169,409 units (2012: 21,430,701)	(520,491)	(220,517)
	(63,611)	556,057
Final distribution for the year ended June 30, 2013: 0.1010% (June 30 ,2012 : 3.00%) Date of Distribution: July 11, 2013		-
- Bonus distribution ; issue of bonus units 239,518	2,463	35,968
- amount representing loss / (income) that form part of unit holders' fund - transferred to distribution statement	776	(6,574)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	1,941	3,436
Capital gain on sale of investments - net	73	599
Other operating income	93,233	77,366
Net income for the period	95,247	81,401
Final distribution for the year ended June 30, 2013: 0.1010% (June 30 ,2012 : 3.00%) Date of Distribution: July 11, 2013		
- Bonus units	(2,463)	(35,968)
- Cash distribution	(2,438)	(44,925)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(776)	6,574
Net assets as at the end of the period	4,991,532	3,360,200

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	95,247	81,401
Adjustments :		
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,941)	(3,436)
Amortisation of preliminary expenses and floatation costs	55	55
	<u>93,361</u>	<u>78,020</u>
Decrease / (increase) in assets		
Investments	1,317,677	(274,075)
Profit receivable	15,514	(16,369)
Receivable against sale of units	961,449	(6,143)
Prepayments and other receivables	45	57
	<u>2,294,685</u>	<u>(296,530)</u>
Increase in liabilities		
Payable to the Management Company	3,674	3,464
Payable to the Trustee	67	86
Payable to the Securities and Exchange Commission of Pakistan	(1,833)	(247)
Payable against redemption of units	6,946	(4,364)
Accrued expenses and other liabilities	2,018	2,828
	<u>10,871</u>	<u>1,767</u>
Net cash generated from / (used in) operating activities	<u>2,398,917</u>	<u>(216,743)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	456,880	776,574
Payment on redemption of units	(520,491)	(220,517)
Cash distribution	(2,438)	(44,925)
Net cash (outflow) / inflow from financing activities	<u>(66,049)</u>	<u>511,132</u>
Net increase in cash and cash equivalents during the period	<u>2,332,868</u>	<u>294,389</u>
Cash and cash equivalents at the beginning of the period	1,321,210	125,856
Cash and cash equivalents as at the end of the period	<u><u>3,654,078</u></u>	<u><u>420,245</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 FINANCIAL SECTOR INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering these to the Fund. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by SECP for categorisation of Collective Investment Schemes (CIS).

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

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

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

2 STATEMENT OF COMPLIANCE

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

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

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed financial statements for the quarter ended September 30, 2013 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2013.

	Note	September 30, 2013 (Un-audited)	June 30, 2013 (Audited)
----- Rupees in '000 -----			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1	832,102	1,500,406
Term finance certificates - unlisted	4.2	486,729	514,161
Government securities	4.3	-	-
Loans and receivables			
Certificate of Investment		-	300,000
Sukuk Certificates		-	320,000
		1,318,831	2,634,567

NAFA FINANCIAL SECTOR INCOME FUND

4.1 Term finance certificates - listed

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

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2013	Investment as a percentage of		
	As at July 01, 2013	Purchases during the period	Sales during the period	As at September 30, 2013		Net assets	Market value of total investments	Issue size
Rupees in '000 ----- % -----								
Term finance certificates - listed								
Allied Bank Limited - I	4,400	-	-	4,400	16,542	0.33	1.25	0.88%
Allied Bank Limited II	13,000	-	-	13,000	60,640	1.21	4.60	2.16%
Askari Bank Limited - II	3,000	-	-	3,000	14,972	0.30	1.14	1.00%
Askari Bank Limited - III	30,336	-	-	30,336	156,802	3.14	11.89	5.00%
Askari Bank Limited - IV	44	-	-	44	45,578	0.91	3.46	0.02%
Bank Al-Habib Limited-II	1,077	-	-	1,077	5,395	0.11	0.41	0.36%
Faysal Bank Limited - III	59,000	-	-	59,000	311,363	6.24	23.61	9.99%
NIB Bank Limited	54,600	-	54,600	-	-	-	-	0.00%
Pak Libya Holding Company (Pvt) Limited	10,000	-	-	10,000	41,268	0.83	3.13	5.00%
Pakistan Mobile Communication Limited	22,677	1,930	-	24,607	123,045	2.47	9.33	6.00%
Pakistan Mobile Communication Limited	-	10,000	-	10,000	50,000	1.00	3.79	0.00%
United Bank Limited -III	3,900	-	-	3,900	6,497	0.13	0.49	0.98%
United Bank Limited -IV	88,100	-	88,100	-	-	-	-	0.00%
					<u>159,364</u>	<u>832,102</u>	<u>16.67</u>	<u>63.09</u>

Carrying Value as at September 30, 2013

Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

972,129

(140,027)

4.2 Term finance certificates - unlisted

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

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2013	Investment as a percentage of		
	As at July 01, 2013	Purchases during the period	Sales during the period	As at September 30, 2013		Net assets	Market value of total investments	Issue size
Rupees in '000 ----- % -----								
Term finance certificates - unlisted								
Bank Alfalah Limited -IV	70,200	-	-	70,200	373,697	7.49	28.34	7.01%
Bank Alfalah Limited -IV FX	11,500	-	-	11,500	62,082	1.24	4.71	1.15%
Jahangir Siddiqui & Company Limited	13,500	-	13,500	-	-	-	-	0.00%
Standard Chartered Bank	10,000	-	-	10,000	50,950	1.02	3.86	2.50%
					<u>91,700</u>	<u>486,729</u>		

Carrying Value as at September 30, 2013

Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

341,359

145,370

4.3 Government securities

Issue date	Tenor	Face value				Market Value as at September 30, 2013	Investment as a percentage of	
		As at July 01, 2013	Purchases during the period	Sales / matured during the period	As at September 30, 2013		Net assets	Market value of total investments
Rupees in '000 ----- % -----								
Market Treasury Bills								
24-Jan-13	6 months	-	150,000	150,000	-	-	-	-
2-May-13	3 months	-	969,500	969,500	-	-	-	-
26-Jul-12	12 months	-	240,000	240,000	-	-	-	-
19-Sep-13	3 months	-	250,000	250,000	-	-	-	-

Carrying Value as at September 30, 2013

Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

-

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NAFA FINANCIAL SECTOR INCOME FUND

- 4.4 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.

	Note	(Un-Audited) September 30, 2013	(Audited) June 30, 2013
----- Rs. In '000'-----			
5 PROFIT RECEIVABLE			
Profit receivable on bank deposits		3,324	6,027
Profit receivable on term finance certificates		43,852	56,197
Profit receivable on certificate of investment		-	466
		47,176	62,690
6 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		449	328
Provision for Workers' Welfare Fund	8	11,281	9,337
Brokerage		18	28
Printing charges		75	75
Legal fee		40	40
Settlement and bank charges		62	46
Withholding tax payable		592	647
		12,519	10,501

7 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended September 30, 2013 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

8 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / Mutual Funds (CISs) / Pension Funds 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 Honorable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs / pension funds, which is pending adjudication.

A clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 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 same. This response was contradictory to the earlier clarification issued by the Ministry. Show cause notices were then issued by the Federal Board of Revenue (FBR) to several mutual funds (CISs) / pension funds for the collection of WWF. In respect of such show cause notices, certain mutual funds (CISs) / pension funds have been granted stay by the Honorable SHC on the basis of the pending Constitutional Petition as referred to above.

In March 2013, a three member bench of the Sindh High Court in its judgement on various Constitutional Petitions challenging the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, held that WWF is a tax and consequently, the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through the Finance Act, 2006 and 2008 respectively (Money Bills) do not suffer from any constitutional or legal infirmity. This judgement was in contrast to the July 2011 single member bench decision of the Honorable Lahore High Court which had held such amendments as unlawful and unconstitutional for the reason that they were made through the money bills. For the CISs and pension funds, the issue of chargeability or otherwise of WWF levy to the CISs / pension funds is currently pending before the Honorable SHC.

In view of the pending decision, the Management Company of the Fund, as a matter of abundant caution, has continued to maintain the provision for WWF amounting to Rs. 11.281 million (2013: Rs. 9.337 million) in these financial statements. Had the same not been made the net asset value per unit /return of the Fund would have been higher by Re. 0.0237 per unit.

NAFA FINANCIAL SECTOR INCOME FUND

9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at September 30, 2013 (June 30, 2013: Nil).

10 TAXATION

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

11 TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

For the quarter ended September 30, 2013	(Un-Audited) For the quarter ended September 30, 2012
----- Rupees in '000 -----	

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

NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	18,862	11,825
Sindh sales tax on remuneration of the Management Company	3,018	1,892
Federal excise duty on remuneration of the Management Company	3,018	-
Front end load	848	1,512
Alexandra Fund Management Pte. Limited - Sponsor		
Bonus of 11345 units issued during the period (2012 :308,204 units)	-	-
National Bank of Pakistan		
Nil Units issued/ transferred in during the period (2012 :20,220 units)	-	211
TBill purchased from sponsor	1,358,125	25,937
Dividend paid to sponsor	2,438	44,925
TDR purchased from sponsor	500,000	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	1,283	884
Settlement charges	50	46
Employees of the Management Company		
Bonus of 496 units issued during the period (2012: 14,646 units)	-	-
857,958 Units issued / transferred in during the period (2012 : 644,950 units)	8,932	6642
821,143 Units redeemed / transferred out during the period (2012 : 472,934 units)	8,539	4847
Chief Financial Officer		
Bonus of 19 units issued during the period (2012: Nil units)	-	-
181,291 Units issued / transferred in during the period (2012 : 39,144 units)	1,887	400
964 Units redeemed / transferred out during the period (2012 : 39,144 units)	10	407
NAFA Asset Allocation Fund		
Sukuks purchased from NAFA Asset Allocation Fund	-	38,430
Summit Bank Limited		
Bank profit	135	-

NAFA FINANCIAL SECTOR INCOME FUND

	As at September 30, 2013	As at June 30, 2013
	----- Rupees in '000 -----	
11.5 Balances outstanding as at period end		
NBP Fullerton Asset Management Limited - Management Company		
Preliminary expenses and floatation costs paid by Management Company on behalf of the Fund	1,092	1,092
Rating fee paid by the Management Company on behalf of the Fund	52	52
Sales load and transfer load payable to the Management Company	1,077	320
Security deposit with Central Depository Company of Pakistan Limited given by the Management Company on behalf of the Fund	100	100
Management remuneration payable	6,180	4,977
Sindh Sales Tax payable on Management Company's remuneration	989	797
Federal excise duty on Management Company's remuneration	2,003	481
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	419	352
Security deposit	100	100
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the sponsor in the Fund 11,564,345 (June 30 2013: 11,553,000 units)	121,014	118,724
National Bank of Pakistan - Sponsor		
Investment held by the sponsor in the Fund 241,390,609 (June 30 2013: 241,390,610 units)	2,526,008	2,480,651
Balance in current account	1,172	1,161
Employees of the Management Company		
Investment held in the Fund 456,483 units (June 30 2013: 250,012 units)	4,777	2,569
Muhammad Murtaza Ali - Company Secretary / CFO		
Units held : 199,440 units (June 30 2013 : 19,094 units)	2,087	196
Summit Bank Limited		
Bank balance	3,628	8,702

12 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 30 October, 2013 by the Board of Directors of the Management Company.

13 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

Your investments & "NAFA" grow together



Joint - Venture Partners

Head Office

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton, Karachi.

UAN: 111-111-NFA (632)

Toll Free: 0800-20001

Fax: (021) - 35825329

Email: info@nafafunds.com

Website: www.nafafunds.com