


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. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Koh Boon San	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

Trustee

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

Bankers to the Fund

Summit Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
JS Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (PAK) Limited

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town Lahore.
Contact: 042-35914272

Islamabad Office:

Plot No. 395, 396
Industrial Area, 1-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA INCOME FUND

Contents

FUND'S INFORMATION	02
DIRECTORS' REPORT	05
REPORT OF THE TRUSTEE TO THE UNIT HOLDERS	07
AUDITORS' REVIEW REPORT TO THE UNITHOLDERS	08
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	09
CONDENSED INTERIM INCOME STATEMENT	10
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	11
CONDENSED INTERIM DISTRIBUTION STATEMENT	12
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	13
CONDENSED INTERIM CASH FLOW STATEMENT	14
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	15

NAFA INCOME FUND

DIRECTORS' REPORT

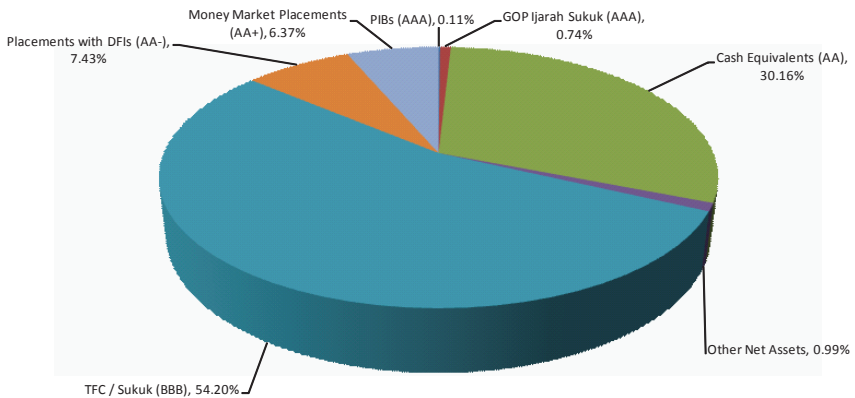
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of NAFA Income Fund for the half year ended December 31, 2012.

Fund's Performance

The Fund size of NAFA Income Fund increased from Rs. 417 million to Rs. 471 million during the period, i.e. an increase of 12.95%. During the said period, the unit price of NAFA Income Fund increased from Rs. 9.0407 on June 30, 2012 to Rs. 9.2678 on December 31, 2012, thus showing an annualized return of 4.98% as compared to its Benchmark (6-Month KIBOR) annualized return of 10.09% for the same period. The subdued performance of the Fund during the period is due to provisioning in some TFCs/ Sukuks.

All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. The Fund has been awarded stability rating of A-(f) by PACRA. The Fund is categorized as an Income Scheme.

The Fund has earned total income of Rs.16.86 million during the period. After deducting expenses of Rs.6.72 million, the net income is Rs.10.14 million. The asset allocation of the Fund as on December 31, 2012 is as follows:



NAFA INCOME FUND

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 26, 2013
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 2012 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;
 - (i) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (i) the creation and cancellation of units are carried out in accordance with the deed;
 - (i) and any regulatory requirement

Karachi: February 25, 2013

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, 2012, 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, 2012 (here-in-after referred to as the 'interim financial information'). **NBP Fullerton Asset Management Limited** (the Management Company) is responsible for the preparation and fair 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, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2012.

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.

Other matters

The condensed interim financial information of the Fund for the period ended December 31, 2011 and financial statements for the year ended June 30, 2012 were reviewed and audited by another firm of auditors whose reports dated February 28, 2012 and September 26, 2012 expressed an unqualified conclusion and opinion thereon respectively.

Chartered Accountants

Engagement Partner
Nadeem Yousuf Adil

Place: Karachi
Date: February 26, 2013

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT DECEMBER 31, 2012

	Note	Un-audited December 31, 2012	Audited June 30, 2012
------(Rupees in '000)-----			
ASSETS			
Balances with banks	4	142,051	8,868
Investments	5	324,304	405,681
Profit receivable		7,729	4,857
Advances, deposits, prepayments and other receivables		313	298
Preliminary expenses and floatation costs		240	744
Total assets		474,637	420,448
LIABILITIES			
Payable to the NBP Fullerton Asset Management Limited - Management Company	6	934	793
Payable to the MCB Financial Services Limited - Trustee		40	34
Payable to the Securities and Exchange Commission of Pakistan		164	320
Accrued expenses and other liabilities	7	2,481	2,145
Total liabilities		3,619	3,292
NET ASSETS		471,018	417,156
UNIT HOLDERS' FUND (As per statement attached)		471,018	417,156
Contingencies and commitments	8		
-----Number of units-----			
Number of units in issue		50,823,119	46,141,823
-----Rupees-----			
Net asset value per unit		9.2678	9.0407

The annexed notes 1 to 14 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, 2012

	Six months ended		Three months ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Note -----Rupees in '000-----				
INCOME				
Profit on bank deposits	1,028	527	742	268
(Loss) / gain on sale of investments - net	(1,535)	357	(1,570)	299
Income from term finance certificates and sukuks	20,725	19,378	7,409	9,245
Income from certificate of investment (COI)	134	-	134	-
Income from government securities	6,561	7,168	2,726	3,544
Unrealised (loss) / gain on re-measurement of investments 'at fair value through profit or loss- held for trading' - net	(16,976)	(63,881)	1,414	(36,166)
Total income / (loss)	9,937	(36,451)	10,855	(22,810)
EXPENSES				
Remuneration of the NBP Fullerton Asset Management Limited - Management Company	4,380	4,438	2,252	2,191
Sindh sales tax on remuneration of the Management Company	701	710	360	348
Remuneration to MCB Financial Services Limited - Trustee	219	369	113	178
Annual fee - Securities and Exchange Commission of Pakistan	164	167	84	83
Annual listing fee	15	15	5	5
Securities transaction cost	2	24	-	20
Settlement and bank charges	123	53	57	42
Auditors' remuneration	272	274	142	160
(Reversal) / impairment loss on term finance certificates and sukuks	(6,922)	1,774	21,602	2,346
Fund rating fee	110	100	26	34
Amortisation of preliminary expenses and floatation costs	504	500	252	248
Other expenses	20	-	18	-
Total expenses	(412)	8,424	24,911	5,655
Net income / (loss) from operating activities	10,349	(44,875)	(14,056)	(28,465)
Provision for Workers' Welfare Fund	9	(207)	281	-
Net income / (loss) for the period before taxation	10,142	(44,875)	(13,775)	(28,465)
Taxation	10	-	-	-
Net income / (loss) for the period after taxation	10,142	(44,875)	(13,775)	(28,465)

The annexed notes 1 to 14 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, 2012

	Note	Six months ended		Three months ended	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
		-----Rupees in '000-----			
Net income / (loss) for the period after taxation		10,142	(44,875)	(13,775)	(28,465)
Other comprehensive (loss) / income for the period					
Net unrealised (loss) / gain on re-measurement of investments classified as 'available for sale'	5.7	-	(925)	7,958	(925)
Total comprehensive income / (loss) for the period		<u>10,142</u>	<u>(45,800)</u>	<u>(5,817)</u>	<u>(29,390)</u>

The annexed notes 1 to 14 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, 2012

	Six months ended		Three months ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	-----Rupees in '000-----			
Accumulated loss brought forward	(43,047)	(7,854)	(19,140)	(24,223)
Element of income and capital gains included in prices of units issued less those in units redeemed	1,398	264	1,408	223
Net income / (loss) for the period	10,142	(44,875)	(13,775)	(28,465)
Accumulated loss carried forward	<u>(31,507)</u>	<u>(52,465)</u>	<u>(31,507)</u>	<u>(52,465)</u>

The annexed notes 1 to 14 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, 2012

	Six months ended		Three months ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
-----Rupees in '000-----				
Net assets at the beginning of the period	417,156	460,934	432,339	443,781
Issue of 4,821,224 units including Nil bonus units (2011: 155,478 units)	45,014	1,457	45,002	500
Redemption of 139,928 units (2011:1,136,224 units)	(1,294)	(10,718)	(506)	(9,018)
	43,720	(9,261)	44,496	(8,518)
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed - transferred to distribution statement	(1,398)	(264)	(1,408)	(223)
Total Comprehensive income / (loss) for the period	10,142	(45,800)	(5,817)	(29,390)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	1,398	264	1,408	223
Net assets as at the end of the period	<u>471,018</u>	<u>405,873</u>	<u>471,018</u>	<u>405,873</u>

The annexed notes 1 to 14 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, 2012

	Six months ended		Three months ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
-----Rupees in '000-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	10,142	(44,875)	(13,775)	(28,465)
Adjustments				
Unrealised loss / (gain) on re-measurement of investments 'at fair value through profit or loss- held for trading' - net	16,976	63,881	(1,414)	64,643
Amortisation of preliminary expenses and floatation costs	504	500	252	248
Loss / (gain) on sale of investments - net	1,535	(357)	1,593	(299)
Reversal / (impairment loss) on term finance certificates and sukus	(6,922)	1,774	21,602	(26,131)
	22,235	20,923	8,258	9,996
Decrease/ (increase) in assets				
Investments	69,788	(1,424)	82,883	2,837
Advances, deposits, prepayments and other receivables	(15)	2,383	5	2,385
Profit receivable	(2,872)	3,754	(401)	(1,212)
	66,901	4,713	82,487	4,010
Increase / (decrease) in liabilities				
Payable to the Management Company	141	(19)	122	108
Payable to the Trustee	6	(18)	5	(9)
Payable to Securities and Exchange Commission of Pakistan	(156)	(222)	84	83
Accrued expenses and other liabilities	336	58	(359)	(218)
	327	(201)	(148)	(36)
Net cash generated from operating activities	89,463	25,435	90,597	13,970
CASH FLOW FROM FINANCING ACTIVITIES				
Amounts received from issuance of units	45,014	1,457	45,002	500
Amounts paid on redemption of units	(1,294)	(10,718)	(506)	(9,018)
Net cash generated from / (used) in the financing activities	43,720	(9,261)	44,496	(8,518)
Net increase in cash and cash equivalents during the period	133,183	16,174	135,093	5,452
Cash and cash equivalents at the beginning of the period	8,868	7,330	6,958	18,052
Cash and cash equivalents as at the end of the period	142,051	23,504	142,051	23,504

The annexed notes 1 to 14 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, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company was situated at 9th Floor, Adamjee House, I.I.Chundrigar Road, Karachi. From 4 February 2013, the registered office of the Management Company is shifted to 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34 - "Interim Financial Reporting", provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Rules and the Regulations, 2008 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, 2012.

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. Figures have been rounded off to the nearest thousand rupees, except otherwise stated.

2.4 Critical accounting estimates and judgements

The Preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and LIABILITIES, income and expenses. actual may differ from these estimates. in preparing this condensed interim financial information ,significant judgment made by management in applying accounting policies and the key sources of estimattion uncertainty were the same as those that applied to the financial statements as at and for year ended 30 june 2012.

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, 2012.

	Note	(Un-Audited) December 31 2012	(Audited) June 30, 2012
(Rupees in '000)			
4 BALANCES WITH BANKS			
Current accounts		4	5
Savings accounts	4.1	142,047	8,863
		<u>142,051</u>	<u>8,868</u>
These carry a rate of return ranging from 6% to 12% (2012: 6% to 12%) per annum.			
5 INVESTMENTS			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	5.1.1	203,788	154,673
Term finance certificates - unlisted	5.1.3	13,002	40,418
Sukus	5.2	33,502	8,500
Government securities	5.3	511	134,246
		<u>250,803</u>	<u>337,837</u>
Available for sale			
Term finance certificates - listed	5.4	6,746	29,982
Sukus	5.5	31,755	37,862
		<u>38,501</u>	<u>67,844</u>
Loans and recievables			
Certificates of Investment	5.6	35,000	-
		<u>35,000</u>	<u>-</u>
		<u>324,304</u>	<u>405,681</u>

NAFA INCOME FUND

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

5.1.1 Term Finance Certificates - listed

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

Name of the investee company	Number of Certificates				Market value as at December 31, 2012	Investment as a percentage of		
	As at July 1, 2012	Purchases during the period	Sale during the period	As at December 31, 2012		Net assets	Market value of total investments	Issue size
	Rupees in '000					-----%		
Saudi Pak Leasing Company Limited (note: 5.1.2)	15,000	-	-	15,000	31,621	6.71	9.75	10.00
Bank Alfalah Limited	2,000	-	-	2,000	10,454	2.22	3.22	0.20
Faysal Bank Limited	5,000	-	-	5,000	25,581	5.43	7.89	0.83
NIB Bank Limited	1,200	-	-	1,200	6,004	1.27	1.85	0.20
Allied Bank Limited	2,000	-	-	2,000	9,298	1.97	2.87	0.33
Standard Chartered Bank (Pak) Limited	6,000	-	-	6,000	30,330	6.44	9.35	1.50
Engro Fertilizer Limited(30-11-07)	-	6,004	-	6,004	29,221	6.20	9.01	0.75
Engro Fertilizer Limited(17-12-2009)	-	1,000	-	1,000	4,183	0.89	1.29	0.25
Pakistan Mobile Communication Limited	5,000	3,400	-	8,400	41,793	8.87	12.89	0.76
United Bank Limited	3,000	-	-	3,000	15,303	3.25	4.72	0.25
Total as at December 31, 2012					203,788	43.25	62.84	15.07
Carrying Value as at December 31, 2012					220,000			

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

5.1.3 Term Finance Certificates - unlisted

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

Name of the investee company	As at July 1, 2012	Purchases during the period	Sale during the period	As at December 31, 2012	Market value as at December 31, 2012	Net assets	Market value of total investments	Issue size
	Rupees in '000					-----%		
Engro Fertilizers Limited	8,500	-	5,600	2,900	13,002	2.76	4.01	2.50
Agritech Limited II (note: 5.1.4)	30,000	-	-	30,000	-	-	-	2.17
Agritech Limited V (note: 5.1.5)	4,436	-	-	4,436	-	-	-	-
Total as at December 31, 2012					13,002	2.76	4.01	4.67
Carrying Value as at December 31, 2012					185,845			
Accumulated impairment					172,056			

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

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

NAFA INCOME FUND

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	Number of Bonds				Market value as at December 31, 2012	Investment as a percentage of		
	As at July 1, 2012	Purchases during the period	Sale during the period	As at December 31, 2012		Net assets	Market value of total investments	Issue size
Rupees in '000						-----%-----		
Non Allied Electronics Industries (Private) Limited (note 5.2.1)								
GOP Ijarah Sukuk (02-MAR-12 to 02-MAR-15)	10,000	-	-	10,000	-	-	-	-
HUBCO Short term Islamic Sukuk(03-Feb-12 to 03-Aug-12)	700	-	-	700	3,502	0.74	1.08	-
HUBCO Short term Islamic Sukuk(03-Aug-12 to 03-Feb-13)	1,000	-	1,000	-	-	-	-	-
HUBCO Short term Islamic Sukuk(16-Aug-12 to 16-Feb-13)	-	5,000	-	5,000	25,000	5.31	7.71	8.74
Total as at December 31, 2012		1,000	-	1,000	5,000	1.06	1.54	0.91
Carrying Value as at December 31, 2012					<u>33,502</u>	<u>7.11</u>	<u>10.33</u>	<u>9.65</u>
Accumulated impairment					<u>33,500</u>			
					<u>49,054</u>			

5.2.1 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 principal and profit payment. The amount of provision as per circular 1 of 2009 has been maintained by valuing the investment in terms of the said circular.

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

Issue Date	Tenor	Face Value			Market value as at December 31, 2012	Investment as a percentage of		
		As at July 1, 2012	Purchases during the period	Sale during the period		As at December 31, 2012	Net assets	Market value of total investments
Rupees in '000						-----%-----		
Market Treasury Bills								
26-Jan-12	12 Months	7,500	-	7,500	-	-	-	
11-Aug-11	12 Months	-	28,000	28,000	-	-	-	
19-Apr-12	3 Months	7,500	-	7,500	-	-	-	
3-May-12	3 Months	15,000	-	15,000	-	-	-	
17-May-12	3 Months	86,000	-	86,000	-	-	-	
14-Jun-12	3 Months	5,000	-	5,000	-	-	-	
28-Jun-12	3 Months	15,000	-	15,000	-	-	-	
12-Jul-12	3 Months	-	110,000	110,000	-	-	-	
26-Jul-12	3 Months	-	14,000	14,000	-	-	-	
9-Aug-12	3 Months	-	9,000	9,000	-	-	-	
23-Aug-12	3 Months	-	1,500	1,500	-	-	-	
6-Sep-12	6 Months	-	7,000	7,000	-	-	-	
20-Sep-12	6 Months	-	15,000	15,000	-	-	-	
4-Oct-12	3 Months	-	85,000	85,000	-	-	-	
18-Oct-12	3 Months	-	10,000	10,000	-	-	-	
1-Nov-12	3 Months	-	12,000	12,000	-	-	-	
15-Nov-12	3 Months	-	90,000	90,000	-	-	-	
13-Dec-12	3 Months	-	125,000	125,000	-	-	-	
13-Dec-12	6 Months	-	30,000	30,000	-	-	-	
13-Dec-12	12 Months	-	30,000	30,000	-	-	-	
Pakistan Investment Bond								
18-Aug-11	3 Years	500	-	-	500	511	0.11	0.16
19-Jul-12	3 Years	-	105,000	105,000	-	-	-	-
19-Jul-12	5 Years	-	100,000	100,000	-	-	-	-
19-Jul-12	10 Years	-	25,000	25,000	-	-	-	-
Total as at December 31, 2012					<u>511</u>	<u>0.11</u>	<u>0.16</u>	
Carrying Value as at December 31, 2012					<u>489</u>			

NAFA INCOME FUND

5.4 Term Finance Certificates - available for sale (listed)

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

Name of the investee company	Number of certificates / bonds				Market value as at December 31, 2011	Investment as a percentage of		
	As at July 1, 2012	Purchases during the period	Sale during the period	As at December 31, 2012		Net assets	Market value of total investments	Issue size
Worldcall Telecom Limited (note 5.4.1)	14,000	-	-	14,000	6,746	1.43	2.08	3.00
					Rupees in '000 -----%-----			
Total as at December 31, 2012					6,746	1.43	2.08	
Carrying Value as at December 31, 2012					29,982			
Accumulated impairment					23,236			

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

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

5.5 Sukuks - available for sale

Name of the investee company	Number of certificates / bonds				Market value as at December 31, 2011	Investment as a percentage of		
	As at July 1, 2012	Purchases during the period	Sale during the period	As at December 31, 2012		Net assets	Market value of total investments	Issue size
Eden Housing Limited (note 5.5.1)	20,000	-	-	20,000	31,755	6.74	9.79	3.33
					Rupees in '000 -----%-----			
Carrying Value as at December 31, 2012					48,750			
Accumulated impairment					16,995			

5.5.1 This represents investment in privately placed sukuk with a term of five years. The issuer defaulted on payment of principal and profit to certain 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 has been maintained by valuing the investment in terms of the said circular.

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

5.6 Certificate of Investment carries mark-up rate of 10% per annum and will mature on March 18, 2013.

NAFA INCOME FUND

	(Un-audited) December 31, 2012	(Audited) June 30, 2011
Note	----- Rupees in '000 -----	
5.7 Unrealised gain in fair value of investments classified as 'available for sale'		
Market value of investments	38,501	67,844
Less: Cost of investments	(78,732)	(93,829)
	<u>(40,231)</u>	<u>(25,985)</u>
Provision against non-performing term finance certificates and sukus	40,231	30,257
	<u> -</u>	<u> 4,272</u>
5.8 Movement in provision against investment		
Opening balance	268,264	259,763
Add: Charge for the period	13,242	8,501
Less: Reversals / write offs	(20,164)	-
Net charge	(6,922)	8,501
Closing balance	<u>261,342</u>	<u>268,264</u>
Provision related to investments classified at 'fair value through profit or loss - held for trading'	221,111	238,007
Provision related to investments classified at 'available for sale'	40,231	30,257
	<u>261,342</u>	<u>268,264</u>
6 PAYABLE TO NBP FULLERTON MANAGEMENT LIMITED - MANAGEMENT COMPANY		
Management fee	805	684
Sindh sales tax payable on Management Remuneration	129	109
	<u>934</u>	<u>793</u>
6.1 The provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.		

NAFA INCOME FUND

	(Un-audited) December 31, 2012	(Audited) June 30, 2011
	----- Rupees in '000 -----	
7 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration payable	287	299
Settlement and bank charges	38	20
Provision for Workers' Welfare Fund	1,917	1,710
Others	239	116
	2,481	2,145

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2012.

9 PROVISION FOR WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of the Collective Investment Schemes through their Trustees on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

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

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

Furthermore, in 2011 the Honourable Lahore High Court in a Constitutional Petition relating to the amendments brought in WWF Ordinance through the Finance Act 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the Honourable Lahore High Court, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution has made the provision against Workers' Welfare Fund liability to the tune of Rs.1.917 million. If the same were not made the NAV per unit / return of the Fund would be higher by Rs.0.0377 / 0.41%.

NAFA INCOME FUND

10 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund intends to distribute such accounting income for the period ending June 30, 2013 to its unit holders. Accordingly, no liability has been recorded in the current period.

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

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

The following are the details of non-compliant investments:

Names of non-compliant investment	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	Investment in	149,876	149,876	-	-	-
Agritech Limited V	Debt	22,180	22,180	-	-	-
Worldcall Telecom Limited	Securities	29,982	23,236	6,746	1.43%	1.42%
Saudi Pak Leasing Company Limited	(note 11.1)	47,927	-	31,621	6.71%	6.66%
New Allied Electronics Industries (Private) Limited - Sukuk		49,054	49,054	-	-	-
Eden Housing - Sukuk II		48,750	16,995	31,755	6.74%	6.69%

- 11.1 Clause (v) of the categorisation criteria as per circular no. 7 of 2009 dated March 6, 2009 requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at December 31, 2012, the Fund is in non-compliance with the said clause.
- 11.2 At the time of purchase, the above mentioned term finance certificates and sukuks were in compliance with the circular (i.e. investment grade) and were subsequently downgraded. In case of New Allied Electronics Industries (Private) Limited, Agritech Limited, Eden Housing Limited, Worldcall Telecom Limited and Saudi Pak Leasing Company Limited, the downgrading has been made due to default in payments of due principal and markup.
- ## 12 TRANSACTIONS WITH CONNECTED PERSONS \ RELATED PARTIES
- 12.1 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.
- 12.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 12.3 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.

NAFA INCOME FUND

------(Un-Audited)-----			
Six year ended		Three year ended	
December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
------(Rupees in '000)-----			

12.4 Transactions during the period

NBP Fullerton Asset Management Limited - Management Company

Management fee expense for the period	4,380	4,438	2,252	2,191
Sindh sales tax on remuneration of the Management Company	701	710	360	348
Front end load	-	2	-	2
Units redeemed / transferred out (Nil units;2011;752,012 units)	-	7,084	-	7,084

Central Depository Company of Pakistan Limited - Ex Trustee *

Remuneration	-	357	-	166
CDC charges	-	3	-	1

MCB Financial Services Limited- Trustee

Remuneration	219	12	113	12
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* Central Depository Company of Pakistan Limited retired as a trustee with effect from November 22, 2011.

(Un-Audited)	(Audited)
December 31 2012	June 30, 2012

------(Rupees in '000)-----

12.5 Balances outstanding as at period / year end

NBP Fullerton Asset Management Limited - Management Company

Management fee payable	805	684
Sindh sales tax payable on remuneration of the Management Company	129	109

National Bank of Pakistan - Sponsor

Balance in current account	4	5
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Central Depository Company of Pakistan Limited - Ex-Trustee *

CDC Charges	-	1
Security deposit	100	100

MCB Financial Services Limited- Trustee

Remuneration payable	40	34
Security deposit	100	100

NBP Employees Pension Fund

Investment held in the Fund (45,033,858 units; June 30, 2012: 45,033,858)	417,36	407,13
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Executives of Management Company

Investment held in the Fund (1,137 units; June 30, 2012: 1,138 units)	11	10
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* Central Depository Company of Pakistan Limited retired as a trustee with effect from November 22, 2011.

NAFA INCOME FUND

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 26, 2013 by the Board of Directors of the Management Company.

14 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director