



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

Your investments & "NAFA" grow together




Joint - Venture Partners

NAFA 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.

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. 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

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

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:

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Scheme No. 5, Clifton Karachi.
UAN: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

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Muslim Town,
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Islamabad Office:

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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

DIRECTORS' REPORT

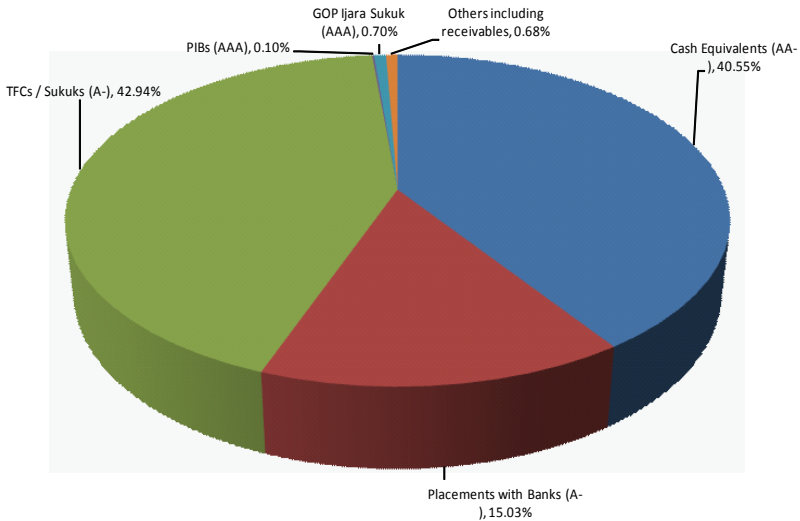
The Board of Directors of **NBP Fullerton Asset Management Limited** is pleased to present the unaudited financial statements of **NAFA Income Fund** for the quarter ended September 30, 2013.

Fund's Performance

The size of NAFA Income Fund has increased from Rs. 490 million to Rs. 499 million during the quarter, i.e. an increase of 1.84%. During the said quarter, the unit price of NAFA Income Fund has increased from Rs. 9.1284 (Ex-Div) on June 30, 2013 to Rs. 9.3039 on September 30, 2013, thus showing an annualized simple return of 7.63% as compared to its Benchmark (6-Month KIBOR) annualized simple return of 9.16% for the same period.

NIF is categorized as an Income Scheme and has been awarded stability rating of A-(f) by PACRA. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. Therefore, any increase in interest rates will improve the coupon income of the TFC portfolio.

The Fund has earned total income of Rs.13.46 million during the period. After deducting expenses of Rs.3.93 million, the net income is Rs.9.53 million. The asset allocation of the Fund as on September 30, 2013 is as follows:



NAFA INCOME FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: October 30, 2013

Place: Karachi.

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2013

	Note	Un-audited September 30, 2013	Audited June 30, 2013
------(Rupees in '000)-----			
Assets			
Balances with banks		277,298	182,806
Investments	4	218,222	303,644
Profit receivable	5	7,405	7,178
Advances, deposits, prepayments and other receivables		390	419
Preliminary expenses and floatation costs		-	-
Total assets		503,315	494,047
Liabilities			
Payable to Management Company		1,212	1,014
Payable to Trustee		41	40
Payable to Securities and Exchange Commission of Pakistan		93	341
Accrued expenses and other liabilities	6	3,128	2,812
Total liabilities		4,474	4,207
Net Assets		498,841	489,840
Unit Holders' Fund (As per statement attached)		498,841	489,840
Contingencies and Commitments			
-----Number of units-----			
Number of units in issue		53,616,476	50,680,883
-----Rupees-----			
Net asset value per unit		9.3039	9.6652

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, 2013 (Un-audited)

Note	Quarter Ended September 30, 2013	Quarter Ended September 30, 2012
	(Rupees in '000)	
INCOME		
Gain on sale of investments - net	46	35
Income from term finance certificates, sukuk bonds and commercial papers	5,771	13,316
Income from certificates of investments	557	-
Profit on bank deposits	4,617	286
Income from Government Securities	608	3,835
Unrealised gain / (loss) on investments at fair value through profit or loss - net	1,864	(18,390)
Total income / (Loss)	13,463	(918)
EXPENSES		
Remuneration of Management Company	2,489	2,128
Sindh sales tax on remuneration of the Management Company	398	341
FED on remuneration of the Management Company	398	-
Remuneration of Trustee	124	106
Annual fee - Securities and Exchange Commission of Pakistan	93	80
Settlement and bank charges	44	66
Annual listing fee	8	10
Auditors' remuneration	113	130
Amortisation of preliminary expenses and floatation costs	-	252
Printing and related cost	-	29
Fund Rating Fee	59	55
Brokerage	7	2
Other expenses	-	2
(Reversal) / Impairment loss on investments classed as 'Available for sale and Held for trading'	-	(28,524)
Total expenses	3,733	(25,323)
Net income from operating activities	9,730	24,405
Provision for Workers' Welfare Fund	(195)	(488)
Net income for the period before taxation	9,535	23,917
Taxation	7	-
Net income for the period after taxation	9,535	23,917
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

STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (Un-audited)

Note	Quarter Ended September 30, 2013 (Rupees in '000)	Quarter Ended September 30, 2012
	9,535	23,917
Other comprehensive income		
	(124)	(7,958)
	<u>9,411</u>	<u>15,959</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, 2013 (Un-audited)

Note	Quarter Ended September 30, 2013 (Rupees in '000)	Quarter Ended September 30, 2012
	(11,399)	(43,047)
(Accumulated losses) / undistributed income brought forward		
Final distribution for the period ended June 30, 2013 : 5.379% (2012: Nil) (Date of Distribution: 11 July, 2013)		
- Bonus units	(27,093)	-
- Cash Distribution	(169)	-
Net income for the period	9,535	23,917
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	57	(10)
	9,592	23,907
(Accumulated losses) / undistributed income carried forward	(29,069)	(19,140)

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, 2013 (Un-audited)

Note	Quarter Ended September 30, 2013	Quarter Ended September 30, 2012
	(Rupees in '000)	
Net assets at the beginning of the period	489,840	417,156
Issued Nil units (September 30, 2012 :1,321 units)	-	12
Redemption of 26,253 units (September 30, 2012: 86,002 units)	(241)	(788)
	(241)	(776)
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		
- transferred to Distribution Statement	57	10
	57	10
Final distribution for the period ended June 30, 2013 : 5.379%		
Issued bonus units 2,961,846 (2012 : Nil)	27,093	-
Net unrealised diminution in the market value of investments classified as 'available for sale'	(124)	(7,958)
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	(57)	(10)
Gain on sale of investments	46	35
Unrealised diminution in the value of investments at fair value through profit or loss - net	1,864	(18,390)
Other net income for the year / period	7,625	42,272
Final distribution for the period ended June 30, 2013 : 5.379% (2012: Nil)		
- Bonus units		
- Cash distribution	(27,093)	-
	(169)	-
	(17,784)	23,907
Net assets as at the end of the period	498,841	432,339

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, 2013 (Un-audited)

Note	Quarter Ended September 30, 2013	Quarter Ended September 30, 2012
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	9,535	23,917
Adjustments		
Unrealised loss on investments at fair value through profit or loss - net	(1,864)	18,390
Amortisation of preliminary expenses and floatation costs	-	252
Impairment loss on sukuk bond	-	(28,524)
	<u>7,671</u>	<u>14,035</u>
Decrease / (Increase) in assets		
Investments	87,162	(13,153)
Profit receivable	(227)	(2,471)
Advances, deposits, prepayments and other receivables	29	(20)
	<u>86,964</u>	<u>(15,644)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	198	19
Payable to Central Depository Company of Pakistan Limited - Trustee	1	1
Payable to Securities and Exchange Commission of Pakistan	(248)	(240)
Accrued expenses and other liabilities	316	695
	<u>267</u>	<u>475</u>
Net cash inflow from / (used in) operating activities	<u>94,902</u>	<u>(1,134)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	-	12
Payments on redemption of units	(241)	(788)
Net cash (outflow) / inflow from financing activities	<u>(410)</u>	<u>(776)</u>
Net increase / (decrease) in cash and cash equivalents during the period	<u>94,492</u>	<u>(1,910)</u>
Cash and cash equivalents at the beginning of the period	182,806	8,868
Cash and cash equivalents at the end of the period	<u><u>277,298</u></u>	<u><u>6,958</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, 2013 (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 is situated at 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

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, 2013 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2013.

NAFA INCOME FUND

	Note	(Un-Audited) September 30 2013	(Audited) June 30, 2013
-----Rupees in '000-----			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1.1	175,062	195,770
Term finance certificates - unlisted	4.1.1	13,884	13,594
Sukuk bonds	4.2	3,510	43,507
Market Treasury Bills	4.3	506	512
		192,962	253,383
Available for sale			
Term finance certificates - listed	4.4	4,497	4,497
Sukuk bonds	4.4	20,763	20,763
		25,260	25,260
Loans and receivables			
Investment in certificate of investments		-	25,001
		218,222	303,644

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, 2013	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sale during the period	As at September 30, 2013		Net assets	Market value of total investments	Issue size
					Rupees in '000	-----%-----		
Term finance certificates - listed								
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	22,162	5.13%	10.16%	6.63%
Bank Alfalah Limited	2,000	-	-	2,000	10,647	2.46%	4.88%	0.20%
Faysal Bank Limited	5,000	-	-	5,000	26,387	6.10%	12.09%	0.20%
NIB Bank Limited	1,200	-	1,200	-	-	-	-	-
Allied Bank Limited	2,000	-	-	2,000	9,329	2.16%	4.28%	1.42%
Standard Chartered Bank (Pak) Limited	6,000	-	-	6,000	30,570	7.07%	14.01%	1.20%
Engro Fertilizers Limited (30.11.07)	6,404	-	-	6,404	31,311	7.24%	14.35%	1.20%
Engro Fertilizers Limited (17.12.09)	600	-	-	600	2,653	0.61%	1.22%	1.20%
Pakistan Mobile Communication Limited	8,400	-	-	8,400	42,003	9.72%	19.25%	0.10%
United Bank Limited	3,000	-	3,000	-	-	-	-	-
				45,404	175,062	40.49%	80.24%	
Term finance certificates - unlisted								
Engro Fertilizers Pakistan Limited	2,900	-	-	2,900	13,884	3.21%	6.36%	0.62%
Agriotech Limited II (note 4.2.2)	30,000	-	-	30,000	-	-	-	-
Agriotech Limited V (note 4.2.3)	4,436	-	-	4,436	-	-	-	-
				37,336	13,884	3.21%	6.36%	
				82,740	188,946	43.70%	86.60%	
Carrying cost of investments as at September 30, 2013					359,135			
Accumulated Impairment					172,056			

NAFA INCOME FUND

4.2 Sukuk bonds - At fair value through profit or loss

Name of the investee company	Number of Bonds				Market value as at September 30, 2013	Investment as a percentage of			
	As at July 1, 2013	Purchases during the period	Sale during the period	As at September 30, 2013		Net assets	Market value of total investments	Issue size	
Rupees in '000									
New Allied Electronics Industries (Private) Limited (note 4.2.4)	10,000	-	-	10,000	-	-	-	-	
GOP Ijarah Sukuk (02-MAR-12 to 02-MAR-15)	700	-	-	700	3,510	0.81%	1.61%	-	
HUBCO Short term Islamic Sukuk (13-Mar-13 to 13-Sep-13)	4,000	-	4,000	-	-	-	-	-	
HUBCO Short term Islamic Sukuk (14-Feb-13 to 14-Aug-13)	4,000	-	4,000	-	-	-	-	-	
					10,700	3,510	0.81%	1.61%	

Carrying cost of investments as at September 30, 2013

3,507

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 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 has been maintained by valuing the investment in terms of the said circular.

4.2.3 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 has been maintained by valuing the investment in terms of the said circular.

4.2.4 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 has been maintained by valuing the investment in terms of the said circular.

4.3 Market Treasury Bills

Issue date	Tenor	Face value				Market Value as at September 31, 2013	Investment as a percentage of	
		As at July 1, 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								
26-Jul-12	12 Months	-	160,000	160,000	-	-	-	-
19-Sep-13	3 Months	-	200,000	200,000	-	-	-	-
Pakistan Investment Bond								
August 18, 2011	3 Years	500	-	-	500	506	0.12	0.23
						506		
Carrying cost of investments as at September 30, 2013						512		

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, 2013	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sale during the period	As at September 30, 2013		Net assets	Market value of total investments	Issue size
Rupees in '000								
Term finance certificate - listed								
Worldcall Telecom Limited	14,000	-	-	14,000	4,497	1.04%	2.06%	1.00%
				14,000	4,497	1.04%	2.06%	
Carrying cost of investments as at September 30, 2013						29,982		
Sukuk bonds								
Eden Housing Limited (4.4.2)	20,000	-	-	20,000	20,763	4.80%	9.51%	2.91%
				20,000	20,763	4.80%	9.51%	
Carrying cost of investments as at September 30, 2013						31,875		
Accumulated Impairment						36,597		

NAFA INCOME FUND

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 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.

	Note	September 30 2013	June 30, 2013
-----Rupees in '000-----			
5 PROFIT RECEIVABLE			
Profit on savings and term deposit accounts		88	213
Income accrued on term finance certificates and sukuk bonds - net		7,310	6,905
Profit receivable on certificate of investments		-	39
Profit receivable on government securities		7	21
		7,405	7,178
6 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditor's remuneration		458	345
Withholding tax payable		1	-
Bank charges payable		1	10
Brokerage		30	20
WWF		2,520	2,328
Printing charges payable		50	50
Legal and professional charges		40	40
Annual listing fee payable		8	-
Other Payable		20	19
		3,128	2,812

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.

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.

NAFA INCOME FUND

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.

However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 2.5202 million (including Rs. 0.195 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs 0.0470.

9 EARNINGS PER UNIT

Earnings per unit (EPU) for the quarter ended September 30, 2012 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 atleast 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 Debt 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.	31,875	11,112	20,763	4.16%	4.11%
	Saudi Pak Leasing Co. **	44,324	-	22,162	4.44%	4.40%
	Worldcall Telecom Limited.	29,982	25,485	4,497	0.90%	0.89%
Total		327,291	257,707	47,422	9.50%	9.40%

** Book value, performing but below investment grade

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.

Quarter Ended September 30, 2013	Quarter Ended September 30, 2012
(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 period	2,489	2,128
Sindh Sales Tax on remuneration of the management company	398	-
FED on remuneration of the management company	398	-

MCB Financial Services Limited - Trustee

Remuneration	124	106
CDS charges	59	2

Employees of Management Company

Issued bonus 67 units (2012: Nil units)	-	-
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NBP Employees Pension Fund

Issued bonus 2,648,211 units (2012: Nil units)	-	-
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NAFA INCOME FUND

Quarter
Ended
September
30, 2013
(Rupees in '000)

June 30,
2013

11.6 Amounts outstanding as at period end

NBP Fullerton Asset Management Limited - Management company

Management fee payable	816	798
Sindh sales tax	131	139
Federal Excise Duty payable on Management Remuneration	265	77

National Bank of Pakistan - Sponsor

Balance in current account	423	423
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Employees of the Management Company

Investment held in the fund 1,204 units (June 30, 2013 : 1,137 units)	11	11
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MCB Financial Services Limited - Trustee

Remuneration payable	41	40
Security deposit	100	100

Central Depository Company of Pakistan Limited - Ex-Trustee

Remuneration payable	-	-
CDC charges	1	-
Security deposit	100	-

NBP Employees Pension Fund

Investment held in the Fund (47,682,069 units; June 30, 2013: 45,033,858 units)	443,629	435,261
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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, 2013.

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

Your investments & "NAFA" grow together



Joint - Venture Partners

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