

**AM1**  
Rated by PACRA



NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

# NAFA FINANCIAL SECTOR INCOME FUND

**HALF YEARLY  
REPORT**  
December 31, 2017



*Your investments & "NAFA" grow together*




**NBP**

**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



To rank in the top quartile  
in performance of  
**NAFA FUNDS**  
relative to the competition,  
and to consistently offer  
Superior risk-adjusted returns to investors.

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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. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Ms. Anupama Sawhney*	Director
* SECP's approval is in process	

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member

### Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Ms. Anupama Sawhney*	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  
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  
Summit Bank Limited  
Sindh Bank Limited  
United Bank Limited  
JS Bank Limited  
Khushhali Bank Limited  
Samba Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Zarai Taraqiyati Bank Limited  
Habib Metropolitan Bank Pakistan Limited

# NAFA FINANCIAL SECTOR INCOME FUND

## **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.02  
Beaumont Road,  
Karachi - 75530, Pakistan.

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

7-Noon Avenue, Canal Bank,  
Muslim Town, Lahore.  
UAN: 042-111-111-632  
Fax: 92-42-35861095

## **Islamabad Office:**

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

## **Peshawar Office:**

Opposite Gul Haji Plaza, 2nd Floor  
National Bank Building  
University Road Peshawar,  
UAN: 091-111 111 632 (nfa)  
Fax: 091-5703202

## **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 half year ended December 31, 2017.

### Fund's Performance

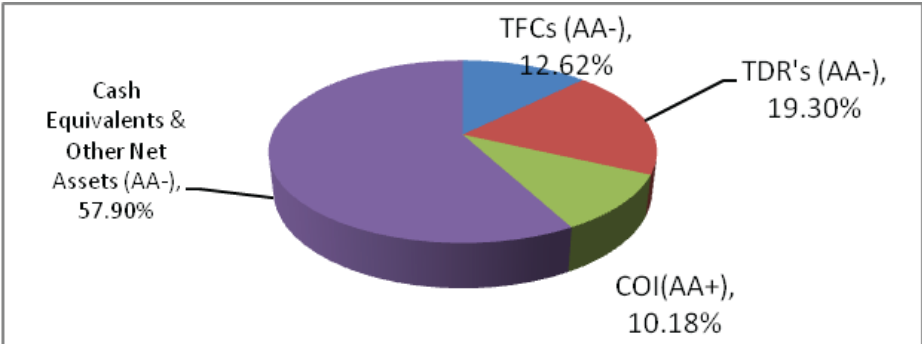
The size of NAFA Financial Sector Income Fund has increased from Rs. 1,152 million to Rs. 2,358 million during the period, a significant growth of 105%. During the period, the unit price of the Fund has increased from Rs. 10.4933 on June 30, 2017 to Rs. 10.8030 on December 31, 2017, thus showing a return of 5.9% as compared to its Benchmark return of 6.2% for the same period. The performance of the Fund is net of management fee and other expenses.

The Fund is unique as it invests a minimum 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity / instrument rating of debt securities is '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. The Fund has been assigned 'A+ (f)' fund stability rating by PACRA.

State Bank of Pakistan (SBP) pursued accommodative monetary policy stance and left the policy rate unchanged at 5.75% during the period under review. SBP cited the following reasons to support its policy: a) strong economic activity corroborated by pick up in industrial output; b) gains in production of major crops; c) growth in private sector credit off-take; d) improvement in export growth; e) notable increase in foreign direct investments; and f) CPEC related investment activity gathering pace. SBP also highlighted gathering risks to the external account emanating from expected increase in commodity/global oil prices, confluence of declining remittances and mounting external debt levels (that may imperil the near to medium-term sustainability of the BoP position). Owing to stable policy rate and significant liquidity injections by the SBP, sovereign yields remained flat during the period with investors' preference tilted towards short tenors considering upside risks to inflation and interest rates.

With pickup in private sector investment activity, we have seen increased issuance of corporate debt securities - primarily Banking/Financial sector TFCs during the period. Trading activity in corporate debt securities (TFCs & Sukuks) increased significantly with a cumulative trade value of around Rs. 8.7 billion as compared to Rs. 4.7 billion during the same period last year.

The Fund has earned total income of Rs.58.728 million during the period. After accounting for expenses of Rs.10.880 million, the net income is Rs.47.848 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NFSIF.



# NAFA FINANCIAL SECTOR 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 22, 2018  
Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فلٹرن ایسٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصدِ مسرت 31 دسمبر 2017ء کو ختم ہونے والی ششماہی کے لیے NAFA فنانشل سیکٹر انکم فنڈ (NFSIF) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

### فنڈ کی کارکردگی

NAFA فنانشل سیکٹر انکم فنڈ کا سائز اس مدت کے دوران 1,152 ملین روپے سے بڑھ کر 2,358 ملین روپے تک پہنچ گیا، یعنی 105% کا خاطر خواہ اضافہ۔ اس مدت کے دوران یونٹ کی قیمت 30 جون 2017 کو 10.4933 روپے سے بڑھ کر 31 دسمبر 2017 کو 10.8030 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے اپنے بیخ مارک منافع 6.2% کے مقابلے میں 5.9% منافع درج کرایا۔ فنڈ کی کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

یہ فنڈ منفرد ہے کیوں کہ یہ اپنے اثاثوں کا کم از کم 70% فنانشل سیکٹر (بنیادی طور پر بینکس) ڈیٹ سیکپورٹیز، انسٹرومنٹ یا ڈپازٹس میں سرمایہ کاری کرتا ہے۔ ڈیٹ سیکپورٹیز کی کم از کم اینٹیٹی / انسٹرومنٹ ریٹنگ AA- ہیں۔ اس سے کریڈٹ رسک میں کمی ہوتی ہے اور اس کے ساتھ ساتھ فنڈ کی لیکویڈیٹی میں اضافہ ہوتا ہے۔ فنڈ کی میعاد ایک سال سے زائد نہیں ہو سکتی۔ یہ شرح سود یا پرائسنگ رسک کو کم کرتا ہے۔ فنڈ اپنے اثاثوں کا 90.25% دن سے کم مدت کے T بلز یا بینکوں کے ساتھ سیونگ اکاؤنٹس میں انویسٹ کرتا ہے جس سے فنڈ کے لیکویڈیٹی پروفائل میں مزید اضافہ ہو جاتا ہے۔ اس فنڈ کی PACRA کی طرف سے A+(f) کی اسٹیٹیمینٹ ریٹنگ دی گئی۔

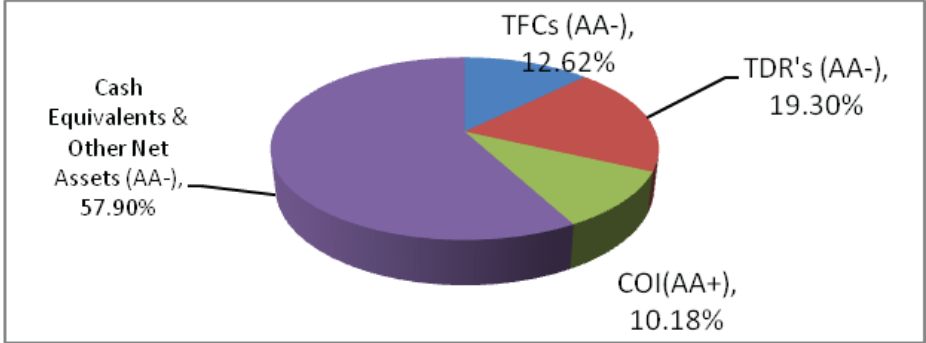
اسٹیٹ بینک آف پاکستان (SBP) نے مفابہتی مانیٹری پالیسی جاری رکھی اور زیرِ جائزہ مدت کے دوران پالیسی کی شرح کو 5.75% برقرار رکھا۔ SBP نے اپنی پالیسی کی حمایت میں درج ذیل وجوہات بیان کیں: (ا) مضبوط معاشی سرگرمی، جس کی تصدیق صنعتی پیداوار میں اضافہ سے ہوتی ہے (ب) بڑی فصلوں کی بھرپور پیداوار (ج) نجی شعبہ کے قرضے جات میں اضافہ (د) برآمدات کے اضافے میں بہتری (ر) غیر ملکی براہ راست سرمایہ کاری میں نمایاں اضافہ اور (س) چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرمایہ کاری کی سرگرمیوں کا مسلسل فروغ۔ SBP نے بیرونی اکاؤنٹس کے بارے میں ان خدشات کی بھی نشاندہی کی جو کموڈیٹی / آئل کی قیمتوں میں عالمی سطح پر اضافہ اور اس کے ساتھ ساتھ زرمبادلہ کی ترسیلات میں کمی اور بیرونی قرضہ جات کے بڑھتے ہوئے حجم کے باعث پیدا ہو رہے ہیں (جس سے توازن ادائیگی کی مستقبل قریب سے وسط مدت کیلئے صورتحال غیر مستحکم ہو سکتی ہے)۔ چنانچہ مستحکم شرح پالیسی اور SBP کی جانب سے نمایاں طور پر لیکویڈیٹی داخل کرنے سے اس مدت میں بالائی نتائج میں کوئی کمی پیش نہیں ہوئی اور سرمایہ کاروں نے افراط زر اور شرح سود میں بڑھتے ہوئے خدشات کے پیش نظر قلیل المدت سرمایہ کاری کو ترجیح دی۔

نجی شعبہ میں سرمایہ کاری کی سرگرمیوں کے فروغ سے اس مدت میں کارپوریٹ قرضہ کی سیکورٹیز (خاص طور پر بینکنگ اور مالیاتی شعبہ جات کے TFCs) کے اجراء میں اضافہ دیکھنے میں آیا۔ کارپوریٹ Sukuks/TFCs کی تجارتی سرگرمیوں میں اضافے کے سبب تقریباً 8.7 ملین روپے کی مجموعی تجارتی قدر میں اضافہ ہوا جب کہ گزشتہ سال اسی مدت میں 4.7 ملین روپے کا اضافہ ہوا تھا۔



# NAFA FINANCIAL SECTOR INCOME FUND

فنڈ نے اس مدت کے دوران 58.728 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 10.880 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 47.848 ملین روپے ہے۔ درج ذیل چارٹ NFSIF کی ایسیٹ الیکشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:



## اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجسٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔ بورڈ اپنے اسٹاف اور ٹرسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجسٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

22 فروری 2018

مقام: کراچی

# NAFA FINANCIAL SECTOR INCOME FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS

### Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Financial Sector Income Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2017 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Aftab Ahmed Diwan  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, February 26, 2018

# NAFA FINANCIAL SECTOR INCOME FUND

## Report on review of Condensed Interim Financial Information to the Unit Holders

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Financial Sector Income Fund** ("the Fund") as at 31 December 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *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 condensed 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 matter*

The figures for the three months period ended 31 December 2017 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 22, 2018

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem

# NAFA FINANCIAL SECTOR INCOME FUND

## Condensed Interim Statement of Assets and Liabilities As at 31 December 2017

	Note	31 December 2017 Unaudited	30 June 2017 Audited
(Rupees in '000)			
<b>Assets</b>			
Bank balances	7	1,378,383	779,534
Investments	8	992,473	410,879
Profit receivables	9	10,346	2,579
Security deposit		100	100
Receivable against conversion of units		-	1,923
Advance, Prepayment and other receivable		282	432
<b>Total assets</b>		<u>2,381,584</u>	<u>1,195,447</u>
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	2,714	2,422
Payable to Central Depository Company of Pakistan Limited - Trustee	11	271	142
Payable to Securities and Exchange Commission of Pakistan		633	697
Payable against redemption of units		-	9,654
Accrued expenses and other liabilities	12	20,442	30,163
<b>Total liabilities</b>		<u>24,060</u>	<u>43,078</u>
<b>Net assets</b>		<u>2,357,524</u>	<u>1,152,369</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>2,357,524</u>	<u>1,152,369</u>
<b>Contingency and commitment</b>	13		
(Number of units)			
<b>Number of units in issue</b>		<u>218,228,202</u>	<u>109,819,491</u>
(Rupees)			
<b>Net assets value per unit</b>		<u>10.8030</u>	<u>10.4933</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## Condensed Interim Income Statement (Unaudited) For the six and three months period ended 31 December 2017

	Note	Six months period ended 2017	2016	Three months period ended 2017	2016
----- (Rupees in '000) -----					
<b>Income</b>					
Loss on sale of investments - net		(459)	-	(459)	-
Income from term deposit receipts		10,194	7,930	10,194	4,812
Income from term finance certificates and commercial paper		16,270	15,025	7,808	7,452
Income from certificate of investment		214	-	214	-
Profit on bank deposits		32,119	16,650	16,576	5,889
Net unrealised appreciation/(diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	8.5	390	(1,717)	(635)	(1,575)
<b>Total income</b>		<b>58,728</b>	<b>37,888</b>	<b>33,698</b>	<b>16,578</b>
<b>Expenses</b>					
Remuneration to NBP Fullerton Asset Management Limited - Management Company	10.1	5,517	3,709	3,248	1,676
Sindh Sales Tax on remuneration of the Management Company	10.2	717	482	422	218
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,145	867	648	411
Sindh Sales Tax on remuneration of the Trustee	11.1	149	113	84	53
Annual fee - Securities and Exchange Commission of Pakistan		633	397	384	184
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	843	529	511	245
Amortisation of preliminary expenses and flotation costs		-	69	-	14
Securities transaction costs		-	43	-	-
Settlement and bank charges		306	22	138	-
Annual listing fee		14	27	-	17
Auditors' remuneration		366	393	220	255
Legal and Professional charges		-	23	-	23
Mutual fund rating fee		164	150	164	39
Printing charges		50	-	50	-
<b>Total expenses</b>		<b>9,904</b>	<b>6,824</b>	<b>5,869</b>	<b>3,135</b>
<b>Net income from operating activities</b>		<b>48,824</b>	<b>31,064</b>	<b>27,829</b>	<b>13,443</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed -net	3.2	-	(8,057)	-	(8,289)
Provision for Sindh Workers' Welfare Fund	12.1	(976)	-	(556)	-
<b>Net income for the period before taxation</b>		<b>47,848</b>	<b>23,007</b>	<b>27,273</b>	<b>5,154</b>
Taxation	14	-	-	-	-
<b>Net income for the period after taxation</b>		<b>47,848</b>	<b>23,007</b>	<b>27,273</b>	<b>5,154</b>
<b>Allocation of net income for the period after taxation</b>					
Net income for the period		47,848		27,273	
Income already paid on units redeemed		(7,858)		(6,789)	
		<b>39,990</b>		<b>20,484</b>	
<b>Accounting income available for distribution:</b>					
-Relating to capital gains		326		-	
-Excluding capital gains		39,664		20,484	
		<b>39,990</b>		<b>20,484</b>	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**For NBP Fullerton Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## Condensed Interim Statement of Comprehensive Income (Unaudited) For the six and three months period ended 31 December 2017

	Six months period ended 2017	2016	Three months period ended 2017	2016
	------(Rupees in '000)-----			
Net income for the period	47,848	23,007	27,273	5,154
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>47,848</u>	<u>23,007</u>	<u>27,273</u>	<u>5,154</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**For NBP Fullerton Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited) For the six months period ended 31 December 2017

Note	2017			2016		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the period	1,050,402	101,967	1,152,369	1,155,029	99,670	1,254,699
Issue of 248,541,578 units (2016: 33,400,506 units)						
- Capital value	2,608,021	-	2,608,021			
- Element of income	46,459	-	46,459			
Total proceeds on issuance of units	2,654,480	-	2,654,480	349,780	4,740	354,520
Redemption of 140,132,867 units (2016: 79,676,955 units)						
- Capital value	(1,470,456)	-	(1,470,456)			
- Element of loss	(18,859)	(7,858)	(26,717)			
Total payments on redemption of units	(1,489,315)	(7,858)	(1,497,173)	(834,401)	(12,797)	(847,198)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net 3.2	-	-	-	-	8,057	8,057
Total comprehensive income for the period	-	47,848	47,848	-	23,007	23,007
<b>Net assets at end of the period</b>	<b>2,215,567</b>	<b>141,957</b>	<b>2,357,524</b>	<b>670,408</b>	<b>122,677</b>	<b>793,085</b>
Undistributed income brought forward						
- Realised		104,299			104,594	
- Unrealised		(2,332)			(4,924)	
		101,967			99,670	
Accounting income available for distribution:						
- Relating to capital gains		326				
- Excluding capital gains		39,664				
		39,990			23,007	
Undistributed income carried forward		141,957			122,677	
Undistributed income carried forward						
- Realised		141,567			124,394	
- Unrealised		390			(1,717)	
		141,957			122,677	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		10.4933			10.4723	
Net assets value per unit at end of the period		10.8030			10.7853	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**For NBP Fullerton Asset Management Limited**  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## Condensed Interim Cash Flow Statement (Unaudited) For the six months period ended 31 December 2017

	Note	Six months period ended 2017	2016
		------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period before taxation		47,848	23,007
<b>Adjustments:</b>			
Net unrealised (appreciation)/diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	8.5	(390)	1,717
Amortisation of preliminary expenses and flotation costs		-	69
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		-	8,057
		47,458	32,850
<b>(Increase) / decrease in assets</b>			
Investments - net		(581,204)	34,832
Advance, prepayments and other receivables		150	49
Profit receivables		(7,767)	3,099
		(588,821)	37,980
<b>(Decrease) / increase in liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		292	110
Payable to Central Depository Company of Pakistan Limited - Trustee		129	35
Payable to Securities and Exchange Commission of Pakistan		(64)	(425)
Accrued expenses and other liabilities		(9,721)	(2,613)
		(9,364)	(2,893)
<b>Net cash (used in) / generated from operating activities</b>		(550,727)	67,937
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received on issuance of units		2,656,403	817,584
Payments against redemption of units		(1,506,827)	(865,526)
<b>Net cash generated from / (used in) financing activities</b>		1,149,576	(47,942)
<b>Net increase in cash and cash equivalents during the period</b>		598,849	19,995
Cash and cash equivalents at beginning of the period		779,534	336,091
<b>Cash and cash equivalents at end of the period</b>	7	1,378,383	356,086

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**For NBP Fullerton Asset Management Limited  
(Management Company)**

**Chief Financial Officer**

**Chief Executive Officer**

**Director**



# NAFA FINANCIAL SECTOR INCOME FUND

## Notes to and forming part of the Condensed Interim Financial Information For the six month period ended 31 December 2017

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the 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).
- 1.2 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 Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-end mutual fund and is listed on the Pakistan 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 to the Fund. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by the SECP for categorization of Collective Investment Schemes (CISs).
- 1.4 The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and stability rating of 'A+(f)' to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited 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 requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail (refer note 4.2.2).

- 2.1.1 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.2 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (2) (f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

#### 2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

# NAFA FINANCIAL SECTOR INCOME FUND

## 3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 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 financial statements of the Fund for the year ended June 30, 2017 except for the changes in accounting policies as explained in notes 3.2.
- 3.2 Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement.

SECP through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed in Statement of movements in reserves or unit holders' fund.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 19.347 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been lower by Rs. 0.002.

## 4 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRS

### 4.1 Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

### 4.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

- 4.2.1 During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from 1 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 1 July 2018. The Fund is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the other impact on adoption of the Standards. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.
- 4.2.2 The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Hence, the provision of the Companies Act, 2017 will be applicable for the preparation of financial statements for the reporting periods ending after 31 December 2017. The Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.

# NAFA FINANCIAL SECTOR INCOME FUND

## 5 USE OF JUDGEMENTS AND ESTIMATES

The preparation of condensed interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to annual financial statements as at and for the year ended 30 June 2017.

## 6 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements as at and for the year ended 30 June 2017.

## 7 BANK BALANCES

Note	31 December 2017 Unaudited	30 June 2017 Audited
	(Rupees in '000)	
	2,282	1,724
7.1	1,376,101	667,810
	-	110,000
	<u>1,378,383</u>	<u>779,534</u>

7.1 These accounts carry profit at the rates ranging from 3.75% to 6.75% (30 June 2017: 3.75% to 8.00%) per annum.

## 8 INVESTMENTS

Note	31 December 2017 Unaudited	30 June 2017 Audited
	(Rupees in '000)	

### Investments by category

#### Financial assets 'at fair value through profit or loss'

Term finance certificates - listed	8.1	-	34,956
Term finance certificates - unlisted	8.2	297,473	256,741

#### Loans and receivables

Certificate of Investment	8.4	240,000	-
Commercial Paper		-	29,182
Term deposit receipts - long term	8.6	<u>455,000</u>	<u>90,000</u>
		<u>992,473</u>	<u>410,879</u>

### 8.1 Term finance certificates - listed

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

Name of the investee company	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 Dec 2017	Market value/ Carrying value as at 31 Dec 2017	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
	Number of certificates				(Rupees in '000)	(%)	
Faysal Bank Limited - III	27,900	-	27,900	-	-	-	-
	<u>27,900</u>	<u>-</u>	<u>27,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Carrying value before fair value adjustments as at 31 Dec 2017.

-

# NAFA FINANCIAL SECTOR INCOME FUND

## 8.2 Term finance certificates - unlisted

All certificates have a face value of Rs. 5,000 each except Askari Bank Limited IV.

Name of the investee company	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 Dec 2017	Market value/ Carrying value as at 31 Dec 2017	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
	----- Number of certificates -----			(Rupees in '000)		----- (%) -----	
Askari Bank Limited IV	10 years	44	-	44	43,894	0.02	0.04
JS Bank Limited	7 years	23,400	-	23,400	116,965	0.05	0.12
Jahangir Siddiqui and Company Limited	5 years	4,000	-	4,000	17,723	0.01	0.02
Jahangir Siddiqui and Company Limited	5 years	23,340	-	23,340	118,891	0.05	0.12
Bank Alfalah Limited IV	8 years	34,300	34,300	-	-	-	-
Standard Chartered Bank Limited - IV	10 years	3,300	3,300	-	-	-	-
		<u>41,644</u>	<u>23,400</u>	<u>65,044</u>	<u>297,473</u>	<u>0.13</u>	<u>0.30</u>

Carrying value before fair value adjustments as at 31 December 2017

297,083

## 8.3 Significant terms and conditions of term finance certificates outstanding at the period end are as follows:

Name of securities	Tenor	Number of certificates	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Rating	Secured / unsecured
--------------------	-------	------------------------	--------------------------------	--------------------------	------------	--------	---------------------

### Unlisted term finance certificates

Askari Bank Limited - IV	10 years	44	997,600	6-months KIBOR + 2.20%	23 December 2011	AA-	Unsecured
Jahangir Siddiqui and Company Limited	5 years	4,000	4,375	6-months KIBOR + 1.65%	24 June 2016	AA+	Secured
Jahangir Siddiqui and Company Limited	5 years	23,340	5,000	6-months KIBOR + 1.40%	18 July 2017	AA+	Secured
JS Bank Limited	7 years	23,400	4,998	6-months KIBOR + 1.40%	14 December 2016	A+	Secured

## 8.4 Certificate of Investment

Name of Issuer	Maturity Date	Face value						
		As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 Dec 2017	Carrying value as at 31 Dec 2017	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
		(Rupees in '000)						
Pak Brunei Investment Company Limited	28 March 2018	-	240,000	-	240,000	240,000	0.10	0.24
		<u>-</u>	<u>240,000</u>	<u>-</u>	<u>240,000</u>	<u>240,000</u>	<u>0.10</u>	<u>0.24</u>

8.4.1 This Certificate of Investment has been issued at fair value and is being amortised over a period of 91 days.

## 8.5 Net unrealised appreciation/(diminution) on remeasurement of investments classified as 'financial assets at fair value through profit or loss'

	31 December 2017	31 December 2016
	(Rupees in '000)	
Market value / Carrying value of investments	8.1 & 8.2 297,473	384,167
Less: Carrying cost of investments	8.1 & 8.2 (297,083)	(385,884)
	<u>390</u>	<u>(1,717)</u>

8.6 This represents term deposit receipts placed with Khushali Bank Limited and JS Bank Limited carrying markup rate 7.95% (30 June 2017 : 8.35%) and 6.60% (30 June 2017:Nil) respectively.

# NAFA FINANCIAL SECTOR INCOME FUND

## 9 PROFIT RECEIVABLES

31 December  
2017  
Unaudited  
(Rupees in '000)

30 June  
2017  
Audited

Profit receivables on savings accounts	3,720	81
Accrued markup on term deposit receipts	1,820	1,508
Accrued markup on term finance certificates	4,592	990
Accrued markup on certificate of investment	214	-
	<u>10,346</u>	<u>2,579</u>

## 10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management remuneration	10.1	1,227	545
Sindh Sales Tax on Management remuneration	10.2	160	71
Sales load and transfer load		279	626
Sindh Sales Tax on sales load		36	81
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	843	930
Other Payable		169	169
		<u>2,714</u>	<u>2,422</u>

- 10.1** Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. Effective from 7 December 2015, the Management Company charged its remuneration at the rate of 10% of net income subject to minimum of 0.5% of average net assets and maximum of 1.5% of average net assets of the Fund.
- 10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on management remuneration and sales load.
- 10.3** Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it. The expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund with effect from 25 November 2015.

## 11 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

31 December  
2017  
Unaudited  
(Rupees in '000)

30 June  
2017  
Audited

Trustee remuneration	11.1	240	126
Sindh Sales Tax on Trustee remuneration		31	16
		<u>271</u>	<u>142</u>

- 11.1** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015. During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on trustee remuneration.

# NAFA FINANCIAL SECTOR INCOME FUND

		31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund	12.1	2,851	1,875
Federal Excise Duty on remuneration to Management Company	12.2	14,947	14,947
Federal Excise Duty on sales and transfer load	12.2	467	467
Auditors' remuneration		360	401
Printing charges		50	56
Bank charges		17	135
Withholding tax		187	9,861
Capital gain tax		543	1,272
CDC Charges		4	133
Brokerage		16	16
Other Payable		1,000	1,000
		<u>20,442</u>	<u>30,163</u>

- 12.1** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of Sindh WWF should be made on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, reversal of provision for WWF amounted to Rs. 17.975 million and recording of provision for SWWF of Rs. 1.542 million upto 12 January 2017 has been made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0131 (30 June 2017 : 0.0171).

- 12.2** The status of Federal Excise Duty (FED) is same as disclosed in annual financial statements for the year ended 30 June 2017. Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 16.443 million out of which Rs. 1.496 million have been paid to the Management Company (30 June 2016: Rs. 16.443 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0706 (30 June 2017: Rs. 0.1404) per unit.

## 13 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 31 December 2017 (30 June 2017: Nil)

# NAFA FINANCIAL SECTOR INCOME FUND

## 14 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to 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. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. 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 capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

## 15 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 1.29% per annum. Total expense ratio (excluding government levies) is 0.99% per annum.

## 16 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

16.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

16.3 Remuneration and sales load payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

16.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:

### 16.5 Details of the transactions with connected persons are as follows:

**Unaudited**  
**Six months period ended**  
**2017                      2016**  
**(Rupees in '000)**

#### **NBP Fullerton Asset Management Limited - Management Company**

Management remuneration	<b>5,517</b>	3,709
Sindh Sales Tax on remuneration of Management Company	<b>717</b>	482
Sales load	<b>473</b>	161
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>843</b>	529

#### **Central Depository Company of Pakistan Limited - Trustee**

Remuneration of the Trustee	<b>1,145</b>	867
Sindh Sales Tax on remuneration of Trustee	<b>149</b>	113
CDC charges	<b>153</b>	43

# NAFA FINANCIAL SECTOR INCOME FUND

		Unaudited	
		Six months period ended	
		2017	2016
		(Rupees in '000)	
<b>Employees of the Management Company</b>			
Issue / transfer in of 172,143 units (2016: 54,023 units)		1,832	575
Redemption / transfer out of 652,022 units (2016: 184,470 units)		6,861	1,954
<b>Faruque Private Limited</b>			
Issue/transfer in of 1,119,842 units (2016:Nil)		12,000	-
<b>Askari Commercial Bank</b>			
Markup on bank balance		20	-
<b>National Bank of Pakistan - Sponsor</b>			
Markup on bank balance		6	-
<b>Bank Islami Pakistan Limited</b>			
Markup on bank balance		2	-
<b>16.6</b>	<b>Amounts outstanding as at period / year end:</b>	<b>31 December</b>	<b>30 June</b>
		<b>2017</b>	<b>2017</b>
		<b>Unaudited</b>	<b>Audited</b>
		<b>(Rupees in '000)</b>	
<b>NBP Fullerton Asset Management Limited -</b>			
<b>Management Company</b>			
Sales load and transfer load payable to Management Company		279	626
Other Payable		169	169
Management remuneration payable		1,227	545
Sindh sales tax payable on management remuneration		160	71
Allocation of expenses related to registrar services, accounting, operation and valuation services		843	930
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Trustee remuneration		240	126
Sindh Sales Tax on Trustee remuneration		31	16
Security deposit		100	100
<b>Employees of the Management Company</b>			
Units held : 94,482 units (2017 : 574,361 units)		1,021	6,027
<b>Faruque Private Limited</b>			
Units held : 1,119,842 units (2017 : Nil)		12,098	-



# NAFA FINANCIAL SECTOR INCOME FUND

	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
<b>National Bank of Pakistan - Sponsor</b>		
Balance in current account	172	224
Balance in savings account	8,536	5,419
Profit receivable on bank deposit	59	8
<b>Barret Hudgson Pakistan Private Limited</b>		
19,327,481 units held (2017:19,327,481 units)	208,795	202,809
<b>Pakistan Electronic Media Regulatory Authority</b>		
11,030,277 units held (2017: 11,030,277 units)	119,160	115,744
<b>Askari Commercial Bank Limited</b>		
Balance in savings account	2,020	529
Profit receivable on bank deposit	47	6
<b>Summit Bank Limited</b>		
Balance in current account	2,109	1,501
<b>NAFA Asset Allocation Fund</b>		
Net receivable against conversion of units	-	1,598
<b>NAFA Islamic Asset Allocation Fund</b>		
Net receivable against conversion of units	-	325
<b>Bank Islami Pakistan Limited</b>		
Bank balance	509	495

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## FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

# NAFA FINANCIAL SECTOR INCOME FUND

IFRS 13, 'Fair Value Measurement' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

31 December 2017								
At fair value through profit or loss	Carrying amount			Fair Value				
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Unaudited)								
(Rupees in '000)								
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments								
-Term finance certificates - unlisted	297,473	-	-	297,473	-	297,473	-	297,473
	297,473	-	-	297,473	-	297,473	-	297,473
<b>Financial assets not measured at fair value 17.1</b>								
Bank balances	-	1,378,383	-	1,378,383	-	-	-	-
Investment in term deposit receipts - long term	-	455,000	-	455,000	-	-	-	-
Investment in commercial paper	-	240,000	-	240,000	-	-	-	-
Profit receivables	-	10,346	-	10,346	-	-	-	-
Security deposit	-	100	-	100	-	-	-	-
	-	2,083,829	-	2,083,829	-	-	-	-
<b>Financial liabilities not measured at fair value 17.1</b>								
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	2,714	2,714	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	271	271	-	-	-	-
Accrued expenses and other liabilities	-	-	1,447	1,447	-	-	-	-
	-	-	4,432	4,432	-	-	-	-

# NAFA FINANCIAL SECTOR INCOME FUND

30 June 2017							
Carrying amount				Fair Value			
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Audited)							
(Rupees in '000)							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments							
-Term finance certificates - listed	34,956	-	34,956	-	34,956	-	34,956
-Term finance certificates - unlisted	256,741	-	256,741	-	256,741	-	256,741
	<b>291,697</b>	<b>-</b>	<b>291,697</b>	<b>-</b>	<b>291,697</b>	<b>-</b>	<b>291,697</b>
<b>Financial assets not measured at fair value</b>							
Bank balances	-	779,534	779,534	-	-	-	-
Investments - term deposit receipts	-	119,182	119,182	-	-	-	-
Profit receivables	-	2,579	2,579	-	-	-	-
Security deposit	-	100	100	-	-	-	-
Receivable against issue of units	-	1,923	1,923	-	-	-	-
	<b>-</b>	<b>903,318</b>	<b>903,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>							
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	2,422	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	142	-	-	-	-
Payable against redemption of units	-	-	9,654	-	-	-	-
Accrued expenses and other liabilities	-	-	1,741	-	-	-	-
	<b>-</b>	<b>-</b>	<b>13,959</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

17.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 18 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 22, 2018 by the Board of Directors of the Management Company.

**For NBP Fullerton Asset Management Limited  
(Management Company)**

**Chief Financial Officer**

**Chief Executive Officer**

**Director**



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

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